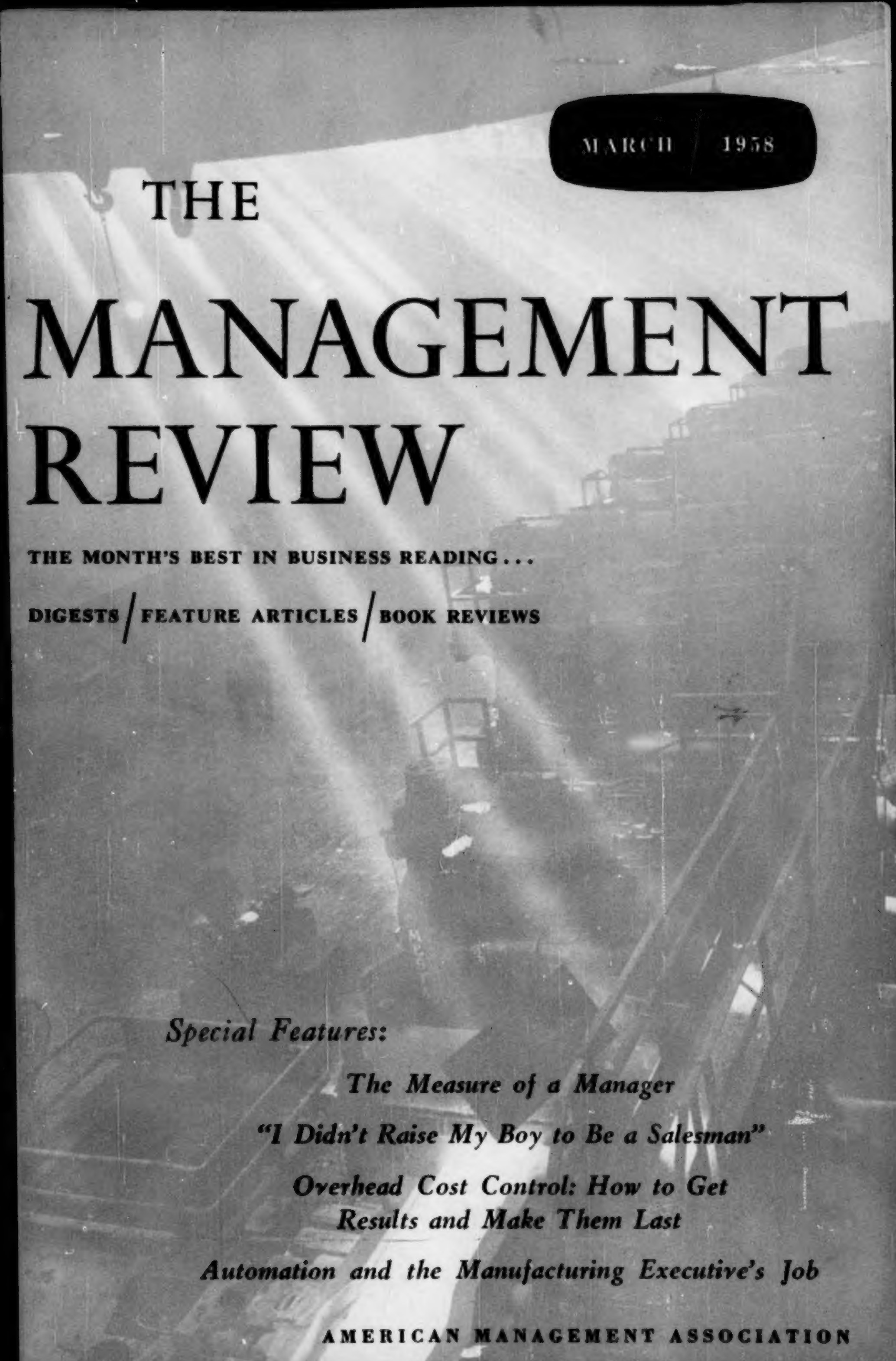


MARCH 1958

THE MANAGEMENT REVIEW

THE MONTH'S BEST IN BUSINESS READING . . .

DIGESTS / FEATURE ARTICLES / BOOK REVIEWS

Special Features:

The Measure of a Manager

"I Didn't Raise My Boy to Be a Salesman"

Overhead Cost Control: How to Get Results and Make Them Last

Automation and the Manufacturing Executive's Job

AMERICAN MANAGEMENT ASSOCIATION

Special R & D Conference . . .

MANAGING ENGINEERING TO MEET THE TECHNOLOGICAL CHALLENGE

April 9-11, 1958 • Statler Hotel • New York

NEW TECHNOLOGICAL DEVELOPMENTS are changing many aspects of today's management scene—in some cases, faster than was expected even a few months ago.

This Special Research and Development Conference is designed to alert you to policies and procedures that will help you meet this challenge. Here are some of the topics that will be featured:

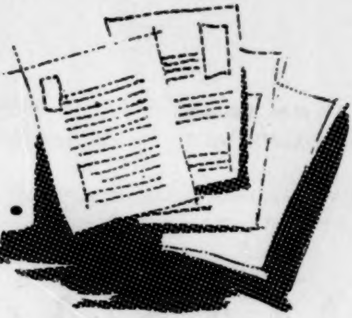
- **The impact of the new technology on industrial operations**
- **Changing technology in electrical, mechanical, and chemical industries**
- **Tomorrow's organizational picture**
- **Managing technical talent**
- **Industry's responsibility in educating and training technical personnel**
- **Post-graduate study in action**
- **International relations in science and commerce**

Attendance will help you clarify your thinking in such vital areas as manpower, organization, and changing emphasis on budgets for research and development vs. production activities.

Register today for a thorough grounding in planning for future operations! Address Department M3, R & D Division, AMA.

AMERICAN MANAGEMENT ASSOCIATION, INC.

1515 Broadway • Times Square • New York 36, N. Y.



in this issue . . .

- **How Does He Rate?** One swallow doesn't make a summer, nor should one or two seemingly outstanding accomplishments or failures on the part of an executive form—as they sometimes do—the chief basis for evaluating his performance. In an article that is outstanding for its original and down-to-earth thinking about the problems of executive appraisal, C. A. EFFERSON presents some guides for every executive who is called upon, from time to time, to take *The Measure of a Manager.*

- **Marketing Bottleneck.** Unless something is done about it soon, many experts feel, an acute personnel shortage—not unlike the one recently experienced in engineering—looms ahead in the sales field. Based on an extensive survey of college students' and public attitudes toward selling as a career, the article titled *"I Didn't Raise My Boy to Be a Salesman"* (page 9), has important implications for management recruiting policies and the job that remains to be done to "sell" selling as a career.

- **The "New Leaf."** One of the toughest problems connected with cost control can be summed up by Mark Twain's classic remark about giving up smoking: "It's easy—I've done it a thousand times myself." For even the most promising efforts to reduce overhead costs too often peter out. Beginning on page 14, RICHARD NEUSCHEL discusses the problems and means of setting up an effective—and continuing—program of overhead cost control.

- **Push-Button Preview.** Automation will mean some far-reaching changes in the manufacturing executive's job—changes that must be anticipated to avoid "managerial obsolescence." GABRIEL N. STILIAN's article, beginning on page 19, examines the new problems shaping up and the skills that will be required of tomorrow's executives.

—THE EDITORS

MARCH 1958
Volume XLVII, No. 3

THE MANAGEMENT REVIEW

FEATURES

BUSINESS DIGESTS OF THE MONTH

Trends and perspectives

Cover photograph: Andreas Feininger

HARWOOD F. MERRILL, *Editor-in-Chief*

VIVIENNE MARQUIS, *Executive Editor*
ROBERT F. GUDER, *Associate Editor*
PETER REID, *Digest Editor*
LYDIA STRONG, *Contributing Editor*
JULIET M. HALFORD, *Book Review Editor*

THE MANAGEMENT REVIEW is published monthly by the American Management Association, Inc., at 1515 Broadway, Times Square, New York 36, N. Y. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the act of March 3, 1879. Subscriptions: $7.50 per year (non-members, $12.50). Single copies: $1.00 (non-members, $1.25). Volume XLVII, No. 3, March, 1958.

Changes of address should be forwarded to the publishers *one month in advance*, and postal zone numbers should be included in all addresses.

The American Management Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December issue. The contents are also indexed in the Industrial Arts Index. THE MANAGEMENT REVIEW is microfilmed by University Microfilms, Ann Arbor, Mich.

Copyright © 1958 by American Management Association, Inc.

THE MEASURE OF A MANAGER

■ *C. A. Efferson*

Manager, Organization Planning
Kaiser Aluminum & Chemical Corp.

THE FACT THAT NO ONE has yet been able to measure managers completely and objectively to everyone's satisfaction is an indication of the extreme difficulty of evaluating executives and their potential. Difficult as it is, however, this important and complicated subject deserves continued attention; not only are huge sums of money at stake every day, but how well managers perform determines in a large degree the success or failure of their companies.

Most executives have gone through a number of stages in attempting to determine what is valid in the measurement of managers. One of the first lessons that we learn—although some still forget it at times—is to distrust personality stereotypes. We have all seen the impeccably dressed manager who appears obviously successful—the man who strides across the office, chin up,

shoulders back, wearing the aggressive, purposeful look of the successful executive. And he may be one—but beware! He may also be a model sent over by the advertising agency. We have also seen the mild-mannered man who slouches at his desk or shuffles apologetically across the office. Watch out—he may be a real ball of fire with a highly disciplined, firm, and decisive personality. These are, of course, extremes, but the point is that no one can tell a man's ability as a manager by his appearance and personality alone.

Many of us have also gone through what might be called the "human relations" stage. This does not mean we have reached or will ever reach a stage where human relations is *not* important. But some of us acted for a while as though we believed that nothing else was important. In recent years, however, we have been forced to conclude that just being a "nice" boss is not enough. The finest fellow in the world can ruin his part of the business if he is not good at some other things, too.

There is yet another pitfall that most of us have now learned to avoid. After some pretty harsh lessons, we now know how dangerous it is to assume that potential managers should have the qualifications of successful present and past managers. These might be the qualities that are needed, but they might just as easily not be. Situations change; we can probably think of several large corporations that did extremely well for years, then, at a certain size, complexity, and competitive situation, almost folded, making a comeback only after completely changing and updating their concepts of management.

Through the years of trial and error, we've learned a few things. There are now available methods to approach manager measurement which are at least as valid as most other systems we use successfully in business. But even today, we still cling to some concepts that can be mental blocks to objective appraisals of managers unless they are used with judgment.

PROFIT AS A MEASURE

For "profit center" managers, the most important single statistical measure has been and always will be the dollar—the profit

dollar. But not without limitation. Does the company benefit if a manager makes a good profit this year and the plants fall down next year for lack of proper maintenance? Or if he makes a good profit this year at the cost of losing customers because he neglected to improve the product line?

Of course, for "profit" we could substitute the words "continuous profit," or perhaps "making a profit in such a manner that future profit potential is enhanced." But is profit alone—even profit made in such a way that profit potential is enhanced—a good enough measure for a profit center manager? Suppose "X" amount of profit is made. It looks good, but how do you know it should not have been twice as good? How do you know that the profit made this year is evidence of a real ability to make profit rather than fortunate external circumstances, or accident? And how do you know that the same kind of leadership next year would not bring a loss? Suppose a manager actually lost money in his division this year and last. Is it possible that, except for his excellent management, the company would have lost its shirt?

Of course, the same reasoning applies to some other statistical indices such as return on investments, return on sales, or "cost of conversion." It can even be applied to staff heads who have responsibility for improved purchases, better safety measures, or legal contracts—all of which affect the profit of the company.

EVALUATION BY TRAITS

In the search for other means of evaluation, another concept in management measurement has become extremely popular—general appraisals. Developing partly as a reaction against the insufficiency of purely statistical measures, general appraisals are often a part of a formal management-development or salary-evaluation plan.

They usually assume that certain universally important manager characteristics apply to any manager, profit center or not. Managers are appraised against six, eight, ten, or twenty such common traits that might include, for example: personality, development of men, initiative, leadership, intelligence, judgment, and technical knowledge of work. And, unfortunately, many of these appraisals are as far away from business reality as are the purely statistical measures.

There are thousands of these systems in use in American business today, and, naturally, some are better than others. They must achieve some good results; how else can we explain why so many businesses have accepted such devices so quickly and at such expense? But just as profit and other statistical measures must be used judiciously, general appraisals should be also used with care.

Some of the value of this method results from following up the appraisal with counseling and some kind of development plan. But the great value that lies in counseling and development can be enhanced by improved, more realistic, more objective appraisals than those which talk about "initiative" or "personality" in a vacuum.

Now, if statistical measures of performance are indicative, but not complete, and if many of the qualitative measures are also indicative but not complete, what more is needed to answer the question, "How good is this manager?"

A CONCEPT OF MANAGEMENT

First, we must make certain we have in mind a clear definition of management itself. Unless we have this clear concept of the total job of management, it is easy, when appraising a man, to get sidetracked and lose perspective because of individual indicators—traits or figures.

Management might be defined, very simply, as that which the head of an enterprise, or the head of a section of it, must do for the success of the unit's effort; it is the sum of those activities which, by virtue of his position, authority, and responsibility, the manager is in the most strategic position to accomplish.

What, then, are the responsibilities unique to the head of the unit? They might be simply stated in this fashion:

1. The manager has the primary responsibility for *laying out the course of the enterprise.* This includes setting a philosophy or purpose for the enterprise—its objectives and major policies—and developing programs for carrying out the objectives.

2. The manager is responsible for *organizing the available physical, financial, and human resources* in a way that will result in coordinated and effective effort.

3. The manager must assume leadership—that is, *the implementation and integration of the plans, programs, and people* and the organization structure.

4. The manager is responsible for *the establishment of systems for measuring the results of all activities*—actual performance against expected or desired performance. This is necessary in order that corrective action may be taken, either by implementing plans more effectively or by altering the original plans, policies, and programs. Corrective action, when taken, starts the management cycle over again with re-examination of objectives and programs, with improvement of organization, with additional and improved means of stimulating the organization to its best efforts, and with more accurate measuring devices.

5. While these four points are paramount in describing managerial responsibilities, it goes almost without saying that in order to carry out these responsibilities, *a manager must be able to make decisions*—to make them often, to make them as a normal matter of course without strain and clamor, and to make most of them more right than wrong. This surely is an ability of critical importance, touching every facet of management.

So, to oversimplify, a manager plans, he organizes, he gets his plans and structure rolling, and he measures what is happening so he can alter the whole process of management if and where desirable. And this requires the ability to decide what needs doing and to see that it gets done. If he omits any of these things, he is not a complete manager. Anything else he does may be necessary, but it is not managing.

With this basis of manager measurement, we can examine the use of statistical measures or general qualitative appraisals.

MAKING AN EVALUATION

Let's assume you have at your right hand the plans which were made some time ago by the manager. They cover the period you are evaluating. You also have knowledge of his organization structure, evidence of his leadership, and awareness of the systems by which he measures his unit. You have, too, first-hand knowledge

(*Continued on page* 67)

"I didn't raise my boy to be a salesman!"

A SURVEY OF PUBLIC ATTITUDES TOWARD SELLING AS A CAREER

■ *J. Donald Staunton*
Director of Training, National Starch Products, Inc.
and the Editors of The American Salesman

America needs a million new salesmen, according to informed estimates. In a poll of its membership, The National Sales Executives reported last year that its member companies alone were seeking 405,000 men for their sales forces. With virtually no ceiling on the ability of U.S. industry to produce, it begins to look as though a major bottleneck in the way of our expanding economy is the increasingly acute shortage of sales manpower.

Where are the trained salesmen of tomorrow to come from? Certainly we would expect one major source to be the colleges and universities, where an encouraging growth of interest in training for sales careers is already noticeable. Yet, as Milton Mandell noted in a recent issue of *Dun's Review,* "many young men who are influenced in their choice of a career by what their family, friends, and neighbors think still stay away from sales work." This

results from the fact that many parents still look askance at selling as an occupation.

Mr. Mandell's observation is confirmed by the findings of a survey recently conducted by *The American Salesman.* (Complete survey results also appear in the February issue of that publication.) Made to determine the attitudes of students (and, by reflection, of the public) toward selling, the survey covered more than 3,000 undergraduates in 31 U.S. colleges and universities.

The findings of this survey make it clear that American industry has its own selling job to do—a job of public relations that will "sell selling" to the public and make it easier to recruit the additional salesmen so urgently needed. In addition, by revealing the factors that now motivate students in choosing or rejecting a sales career, the survey provides information that can be utilized immediately to enable campus recruiters to slant their own sales talks to the expressed interests and attitudes of the undergraduates they will be interviewing.

SALESMEN: FACT VS. FICTION

Although the questions were asked of students, the feelings they expressed quite obviously have deep-rooted origins, going back to their families and teachers. Most have seen salesmen largely through consumer eyes. So their basic attitudes and conceptions indicate much about the general public's understanding of salesmen's jobs and selling.

What does the salesman do? He brings personality, organizational skills, product knowledge, and market knowledge to bear on the problems of moving goods. He works for several people: his customers, his firm, and himself. Today, as industry becomes more complex, the demands on the salesman are greater and he needs to have more technical knowledge, more control over his own personality, and more organizational and selling skill to do his job.

THE FREE-ASSOCIATION QUESTION

The first question in the survey asked the students to list five words that they associated with the word "salesman." Their answers (question 1) indicate several prevalent misconceptions about the salesman's job. First, they show that, as a hangover

from the earlier day of the drummer, aided perhaps by the impact of literature on social attitudes, people tend to think of the salesman in terms of the old clichés—as a slippery, here-today-gone-tomorrow fellow, living by his wits, ready to make a buck by any means, and never staying around long because of the amount of traveling he must do. In general, they show a lack of knowledge of salesmen and consequently a lack of confidence in them.

Second, the answers indicate that the students planning on sales careers themselves have a surprisingly poor picture of what their jobs will be like. It is a more accurate image than the one the other students have, but it is still startlingly out of adjustment. In the case of only one institution (Mississippi Southern College) did the students' lists show a real understanding of selling as a career. In many colleges, apparently, salesmanship is a stepchild subject that doesn't get the respect it requires.

Third, the returns suggest that even sales-minded students approach the job of selling from a self-centered point of view instead of from one which, more professionally, is customer centered.

One of the most interesting misconceptions involves the word "travel." This was by all odds the most common one found on the word list, appearing roughly twice as often as "money," which

QUESTION 1.

WRITE DOWN THE FIRST 5 WORDS THAT COME INTO YOUR MIND IN CONNECTION WITH THE WORD "SALESMAN."

Order	All Students (Mentions)	Sales Students	Non-Sales Students
1	Travel (1003)	Money	Fast Talker
2	Money (561)	Appearance	High-Pressure
3	Personality (511)	Personality	Door-to-Door
4	Sales, Sell, Selling (484)	Work (Hard)	Car (Auto)
5	Fast Talker (476)	People	Pressure (Work)
6	Commission (445)	Service	Buy
7	Appearance (409)	Knowledge	Speech
8	Products (399)	Professional	Hours
9	High-Pressure (328)	Help, Helpful	Extrovert
10	Aggressive (246)	Customer	Insurance

Lists are in order of the frequency of mention. Words ranking about the same with both sales and non-sales students were eliminated in the sales and non-sales lists to point up the differences between those two groups.

came in far ahead of the next. But, as salesmen know, the majority of them are not travelers; few go more than 100 miles from home base or spend many nights on the road.

ATTITUDES OF PROFESSIONALS

Some working salesmen were asked to make the same word association, and their lists show a striking contrast to that of the sales students. "Knowledge" and "hard work," which appear at the bottom of the students' lists, came near the top for the pros. "Time," "integrity," and "ingenuity," which appear nowhere on the students' lists, were prominent on the salesmen's. In general, the professionals were customer-service and business minded instead of preoccupied primarily with the financial returns from the job.

This suggests that salesmen need to modify their sales approach to reassure prospects who may unconsciously resent or distrust all salesmen, regardless of company or experience. It also indicates that industry has a job to do in getting educators to emphasize more

QUESTION 2.

If Someone Asked You What Advantages You Felt There Were in Being a Salesman, What Factors Would You List?

Order	All Students	Sales Students	Non-Sales Students
1	High Income	High Income	High Income
2	Meeting People	Own Boss	Meeting People
3	Own Boss	Meeting People *tied with* Opportunities for Advancement	Own Boss
4	Opportunities for Advancement	Interesting Work	Travel
5	Interesting Work	Psychic Income*	Opportunities for Advancement
6	Travel	Travel	Interesting Work
7	Psychic Income*	Need for Salesmen	Psychic Income*
8	Need for Salesmen	Recognition and Prestige	Need for Salesmen
9	Recognition and Prestige	Service to Others	"There are no Advantages"

** Psychic Income is a category into which were grouped such similar items as satisfaction, feeling of accomplishment, challenge, chance for self-expression, creativity, etc.*

effectively just what professional selling is and why the successful salesman is the one who is predominantly a consultant to his customer.

One of the most respected professions in America today is medicine. Doctors have worked hard to gain this respect; they have a stringent code of ethics, which they enforce more strictly than the public enforcement of laws regulating their actions. Such a code of ethics, plus an industry-wide effort to enforce it, suggests itself as one way to let the public know that salesmen as a group are honorable and are not fast-talking, catch-as-catch-can operators.

ADVANTAGES OF SELLING

The answers to question 2, about the advantages of sales work, indicate again considerable misinformation about what salesmen do. For example, time studies of sales work show that salesmen are working alone (preparing for or going to their calls, or doing paper work) most of the day. Generally, about a quarter of their working time is spent meeting people, a smaller proportion than for many other jobs. Nevertheless, almost all the students mentioned "meeting people" prominently as an advantage of a selling career. One significant difference between the sales students and those who are heading for other types of work was in their feeling about the opportunities for advancement. The sales students correctly mentioned this as a major advantage of sales jobs, realizing that a salesman's income, more than that of most other workers, is tied directly to his production. It may be that persons attracted to selling jobs have a tendency to be more adventurous than average. By both sales and other students, "recognition" and "prestige" were rarely mentioned—another reminder of the unconscious attitude of the public toward salesmen.

SECURITY AND THE SALESMAN

The answers to questions 3 and 4 are partly contradictory. The prime advantage mentioned for sales jobs is high income; and high income is also the prime ingredient in security, according to the students questioned. Nevertheless, this high-income occupation was considered by them to be relatively low in security. The students

(Continued on page 72)

Overhead Cost Control:

How to get results and make them last

■ *Richard F. Neuschel*

Principal, McKinsey & Company, Inc.

Periods of stability or decline in business profits have traditionally led to a reawakening of top-management interest in cost reduction and control. Faced with a leveling or falling off of prices and volume, management typically has turned to cost cutting as the surest short-term means of keeping income and outgo in balance. And because cost control in the factory has usually been functioning as an organized, continuing activity, much of the reawakened interest is focused on the area of so-called "overhead costs."

This is the time when cost-reduction drives are launched, budgets are slashed, requisitions for new help virtually require

presidential approval, and lunchroom speculation is sprinkled with jests about "pink slips" and "hatchet men." This is the time when the persons who feel most vulnerable are those engaged in activities that produce only intangible benefits. These activities usually include ones that were expanded most rapidly during prosperous years and, particularly under the impact of heavy taxation, were regarded as an inexpensive way of achieving real, although unmeasurable, long-term gains. With a decline in profits, the pendulum too often swings to the opposite extreme, with the result that worthwhile activities are sacrificed at a cost to the company much greater than the payroll saving realized.

These spasms of contraction and austerity seldom produce an effective control of overhead costs and, except by accident, they rarely bring about any lasting benefits. But this is not true for any lack of savings opportunity, because there is much evidence to suggest that the skillful management of overhead costs is one of the most fruitful yet least exploited profit-improvement opportunities in the average American business.

During the business dip of 1954, one metalworking company with annual sales of about $17 million experienced a sharp decline in profits as the effect of overcapacity in the industry began to make itself felt. At that point the company launched a fundamental, profit-conscious attack on its overhead costs—80 per cent of which were accounted for by the salaries of administrative, technical, and indirect factory personnel. It was not a disorderly, panic-driven retreat, but a thoughtful, businesslike evaluation of what activities were clearly essential or profitable and how many people were needed in each of them to achieve the best balance between results produced and the costs of getting them. Eighteen months after the study was undertaken, the company had reduced its manpower in these overhead areas from 700 to 450—a reduction of over 35 per cent. This saving alone contributed over $1,250,000 to profits before taxes—more than had been earned in any of the preceding three years. Today, the company's volume has risen from $17 million to $24 million, but it is still operating with an overhead complement of fewer than 500 persons.

Another company—this one in the chemical industry—was confronted two years ago with the necessity for adding substan-

tially to its office space. The company had been growing continuously over the preceding several years, and the acquisition of more space for its administrative personnel seemed a normal and inevitable part of total growth pattern. But when the board of directors was asked to approve a capital expenditure of roughly a million dollars for a new wing to the office building, it asked that a careful study be made before the appropriation request was acted upon, "to determine if existing facilities and personnel are being employed to the best advantage." One of several projects that grew out of this request was an intensive review of the company's order-filling activities, including the paperwork aspects (sales order processing, invoicing, accounts receivable, and finished-goods inventory record keeping) as well as physical handling (warehousing, stock picking, and shipping). As a result of the study, the company was able, over a year's time, to reduce the personnel engaged in these activities from 275 to 145, or almost 50 per cent.

The savings made by these two companies were not attainable because either of them was conspicuously soft or inefficient. On the contrary, they are both progressive, forward-looking companies. Each is a leader in its industry, with a sound long-term earnings record and a reputation for being well managed. Hence, these companies are *not unique* for the size of the overhead cost-reduction opportunity that existed within them. There are relatively few companies of any size which do not have hidden savings opportunities of 20 to 30 per cent in their overhead costs.

But, even though these two companies are not unique in the size of the savings opportunity confronting them, they *are* unique in that they *did something* dramatic about it—they capitalized on their opportunities in a way that few companies ever succeed in doing. The reason that so few companies exploit this opportunity is not that they fail to make the effort. Almost every company subjects itself, at regular or irregular intervals, to some sort of economy drive or creates some sort of staff unit to keep continuously chipping away at the high points of expense. But, even though these efforts frequently result in work eliminations or methods improvements of one sort or another, there are few instances in which they appreciably reduce overhead costs or provide the basis for controlling them in the future.

This fact raises such questions as these: In the two companies just mentioned, why did so many years pass before the savings opportunities cited were discovered and exploited? Why did their achievement await the pressure of a profit squeeze or of board of directors' action? What are the real reasons that our control of overhead costs lags so far behind our control of direct costs? What are some of the obstacles that stand in the way of achieving fundamental, enduring gains in this area? And what, if anything, can be done to overcome those obstacles?

THE OBSTACLES TO OVERHEAD COST CONTROL

As a beginning point in suggesting some answers to these questions, it has been my experience that there are five major roadblocks to the effective control of overhead costs. These are:

1. The illusion that overhead costs are controlled through budgets.
2. Failure to appreciate the tremendous savings potential that lies in this area.
3. Lack of hard-headed profit consciousness among most of the heads of functional segments of the business.
4. Lack of staff acceptance among overhead departments.
5. Failure to tackle overhead cost reduction and control in a fundamental way.

Let us look at each of these blocks separately to see in what specific ways it impedes overhead cost control.

The illusion that overhead costs are controlled through budgets

The income, cost, and expense goals making up a budget are aimed at achieving a predetermined profit objective, but not necessarily the maximum profit, either over the short or long run. This is because, outside the production area, the level of expenditures provided for in a budget is essentially an arbitrary rather than a "scientifically" determined amount. For most activities, the budget usually amounts to little more than a reflection of past performance, eloquently defended. It is arrived at by a process of negotiation in which the most articulate participant is motivated by personal incentive and a host of purely departmental considerations instead of by maximum contribution to company profits. In

other words, budgets are usually subjectively determined by the very persons for whom they serve as standards of measurements. And failure to recognize this limitation in the budgetary process is one of the obstacles that keeps managements from taking more fundamental steps to achieve control of overhead costs.

Failure to appreciate the size of the savings potential

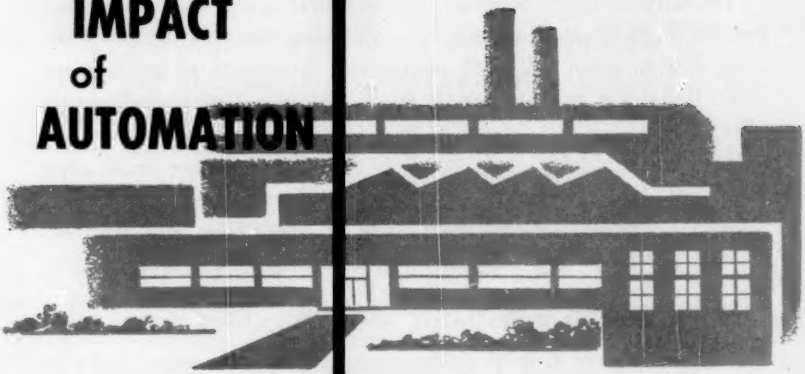
The second obstacle is a widespread failure—at all levels of management—to appreciate how much pay dirt lies in this area. Most managements would be shocked at the suggestion that reductions of 25 or 30 or even 40 per cent could be achieved in overhead. Hence, businesses have generally been content to achieve marginal gains in these areas and to leave things pretty much as they are, as long as they seem to be operating smoothly. Yet I have seen the cost of operating purchasing departments range from $1.50 to $8 per purchase order issued; the cost of a maintenance and supplies stockroom vary from $20 to $60 per hundred items disbursed from stores; the cost of operating a payroll department range from 40 cents to $2.25 per payroll check issued; the cost of janitor and cleaning service, in comparable buildings, range from 35 cents to $1.50 per square foot per year; the cost of a single-item billing and collection operation vary from 70 cents to $2.60 per collection. In all these cases, the high-cost companies have no way of knowing that they are high cost. The plain fact is that there are no cost standards for comparison and very little other knowledge of how many people are actually needed to run an office or any other overhead activity. And without having some sort of revealing cost comparisons, management is in the dark on two counts: First, its members have no reliable yardstick of worker productivity, and second, they seldom realize how much of the work being done in these overhead activities can safely be eliminated.

Lack of profit consciousness

The third obstacle—and this is certainly among the most formidable—is that the manager of any overhead activity does not

(*Continued on page* 80)

the IMPACT of AUTOMATION on the MANUFACTURING EXECUTIVE'S JOB



■ *Gabriel N. Stilian*

Assistant Division Manager, Manufacturing

Automation, which is causing the obsolescence of many of to-day's plant facilities, is also making obsolete some management skills that proved to be more than adequate in the past. As a consequence, the manufacturing executive is being forced to attain much higher levels of professional performance and, at the same time, to develop some new management ideas and practices. This new era of dynamic manufacturing progress is now being met by an intensified managerial effort to prevent "executive obsolescence" in the race for competitive advantage.

Through integrated, automated operations, the manufacturing executive can realize higher production volume per operating dollar, thus reducing unit costs and product prices; increase the

precision of the manufacturing process to improve product quality and reliability; and reduce the manufacturing cycle time in order to improve product delivery and service.

To achieve these benefits, the manufacturing executive must pay the high price of automation. The magnitude of the problems created is so great and each managerial decision is so much more critical that the manufacturing executive's job is very significantly affected.

The key problems of automation that the manager must cope with are (1) increased investment and operating risks; (2) increased inflexibility and complexity of operations; and (3) increased precision and reliability requirements of the total system.

INCREASED INVESTMENT AND OPERATING RISKS

The investment risks that the manufacturing executive faces in an automated system are multiplied many times over those of a nonmechanized process, regardless of the size of the company. For example, an electronic computer, no larger than an office desk, and its auxiliary equipment, used to control the manufacturing processes of oil refining, can run in price from $200,000 to $500,000. While the investment costs will vary in extent depending on the degree of automation involved, the manager is faced with major risks that could lead to huge losses if wrong judgments are made. If the equipment becomes obsolete sooner than anticipated, or if it is not practical and profitable in operation, the manufacturing executive's decisions could have serious consequences for company profits.

The manufacturing executive is also confronted with major risks in making his operating decisions in an automated plant, because the manufacturing process becomes an integrated, continuous system rather than an intermittent, batch-type operation. Consequently, when the manager has operating delays or interruptions, his downtime losses are multiplied many times as a result of the hold-up of other interdependent operations. The equipment cost and general overhead per minute of time may be so high that a manager must keep equipment operating at full capacity throughout the system. Thus, the rapid depreciation rate of equipment and the high losses from holding up the integrated production

operations make it imperative for the manufacturing executive to integrate his activities and increase his precision to meet the requirements of the system.

INFLEXIBILITY AND COMPLEXITY OF OPERATIONS

Some of the manufacturing executive's most difficult problems in automation are caused by the increased inflexibility and complexity of the three important elements of production—machines, materials, and manpower. Because a change of plan is more difficult to accomplish, the manager must give greater attention to the precision of his plans and controls in order to minimize the necessity for a change.

In regard to equipment, automation creates a condition of substantially less flexibility than in nonautomated lines. The production lines, which usually run at fixed rates, are set up to produce a certain volume, and an increase in the total volume of production cannot be accomplished quickly and easily by merely adding more employees or more machines. Moreover, small production lots, special runs, and "rushes" are usually uneconomical for high-speed, automated lines.

It is also more difficult to vary the operations required for a product in order to run a number of sizes, styles, or models on the same production line—and changeover time from one product style or size to another is very costly.

Finally, there is less flexibility in maintaining an even level of production by using in-process banks of materials, because there is relatively little in-process material between operations in an automated line.

Specifications for the materials being fed to automated equipment must be more precise, and the tolerance limits must usually be narrower, since variations or changes will cause machine stoppages and large production losses. Material losses that occur when the equipment begins to produce defective products are also larger because of the high production rates of the automated machines.

In addition to losing flexibility, the manager will also find the complexity of his operations increasing. This is partly a result of decreased flexibility, but it is due also to the nature of the equipment itself, the large number of variables that must be controlled

and synchronized, and the difficulties that result from higher speeds.

PRECISION AND RELIABILITY REQUIREMENTS

The increased capital and operating risks, together with the inflexibility and complexity of operations, create a need for greater precision and reliability in materials, manpower, and equipment, since the failure of any one of these three to perform properly can bottleneck the whole system.

The manufacturing executive is thus faced with many problems that never existed before; without precise planning and control on his part, the integration of all the necessary operating factors will be impossible and the manufacturing operations will cause excessive losses. These problems have made necessary new management practices as well as improvement of classical executive skills.

One of the most important values of Taylor's "scientific management" was that it placed emphasis on the need for management action based on facts, rather than on opinions, and for quantitative as well as qualitative thinking. The problems of automation now create a need for each manufacturing executive to apply the scientific approach over a much broader scope of activity, with a much greater degree of precision and with a much greater integration of each individual activity into the program of the total organization.

PRECISION MANAGEMENT

To surmount the problems of automation, the manufacturing executive must set more exacting standards for his own management practices, as well as for technical activities. In many companies, the basic management functions of planning, directing, controlling, and improving operations—long recognized as essential—are being looked at more closely in order to gain a better understanding of how to increase their precision.

In planning operations, there had been greater application of the practice of defining the exact objectives and requirements of an idea before drawing up the plan for its implementation, then properly organizing for action before initiating it. Remington Rand's "Synchronized Material and Production Control" system,

for example, has as one of its objectives the precise "synchronization of purchasing with future production requirements." This system recognizes the need for precision in advance planning in order to meet the precise requirements of operations.

In controlling operations, there is a growing attempt to investigate and measure managerial effort more precisely. Many companies are setting up the function of *management auditing* to investigate and measure managerial performance and further improve executive effectiveness.

The emphasis in all manufacturing operations is on quantitative measurement as well as qualitative evaluation, and the physical sciences are being adapted to areas of measurement never before expressed mathematically. Of course, the operations research function is rapidly growing in many companies because of the increased precision it provides to management thinking.

In addition, there has been further emphasis on the need for comparing results with each step in the plan, diagnosing any variances to determine their causes. This kind of operations analysis and diagnosis centers problem-solving on the source of trouble, rather than on the symptoms. In improving operations, the emphasis of management is not only on correcting any unfavorable variances from plan, but also on installing measures to prevent their recurrence—an approach that sometimes leads to a redesign of the process or product.

The manufacturing executive is also doing more basic research and development, including long-range, continuous improvement of his operations as part of his daily job. In this, he is aided by such techniques as operations research, integrated data processing, management research and development, statistical analysis, and reliability studies.

This increased need for higher precision in management practice has led to the establishment in many companies of a new function frequently called "management services." The management services department, usually comprising the management engineer, the operations research analyst, the organization analyst, and the management auditor, is set up to research, initiate, and develop plans that will make management precision and improvement an integral

(*Continued on page* 89)

The Executive Lunch

By Robert Sheehan

Condensed from Fortune

THE TYPICAL U.S. EXECUTIVE never lunches alone, and rarely with nonbusiness friends. Far from offering a respite from business, the lunch period is regarded as a logical extension of the working day, indeed "the very best part of the day," in the opinion of many executives, for the accomplishment of certain business objectives. There may be an air of relaxation, but that kind of atmosphere around the table is exactly what is sought and prized as a climate for better communication, the freer flow of ideas, and less restraint in the meeting of minds.

The casual or spontaneous lunch is a luxury few top executives can enjoy. For this report, *Fortune* scanned the engagement pads of a wide selection of U.S. executives. Most of them were booked solid for lunch for as much as two weeks in advance, and there were many scattered notations for dates two and three months distant.

To begin with, there is a heavy load of civic duty: "putting in an appearance" at lunches in behalf of slum clearance, safety councils, united fund campaigns, cerebral-palsy drives, etc. Then there are the recurrent lunches in connection with outside board and industry-committee meetings, regional N.A.M. meetings, and the like. Most executives whittle such engagements down to the bare "musts" in order to find time for intracompany lunches and, most important of all, lunches with customers and out-of-town visitors.

The executive lunch, it should be noted, is subject to some serious misconceptions. In the popular mind, it

Fortune (January, 1958), © *1958 by Time, Inc.*

has an aura of pomp and pelf; it is a long, leisurely, Lucullan adventure in rich food and strong drink, and the devil take the expense account. This, alas, is not true.

The average time spent by the U.S. executive at lunch seems to be one hour and a half. The executive eats heartily but simply, and usually abjures appetizers and side dishes. At the dining club shared by Jones & Laughlin and Westinghouse in Pittsburgh's Gateway Center, many executives demand the "Waistliner," a 375-calorie special that might call for a double-rib lamb chop, fresh corn and green pepper saute, coffee, and for dessert "Cresap's raw Delicious apple," named for the executive vice president of Westinghouse. The price is $1.85. At the Firestone Club, the company's executive dining room in Akron, a typical chef's special is spaghetti with meat sauce, tossed salad, roll with a pat of butter, and coffee, and it costs exactly 77 cents. At Boston's Down Town Club, lobster stew, at $2.85, is one of the most popular dishes.

Heavy drinking at lunch is now absolutely *de trop.* The majority of executives interviewed, regardless of what their after-dark habits might be, earnestly asserted they preferred their luncheons bone-dry.

Another romantic fallacy is that big deals (with the figures and plans roughed out on costly Irish linen) are made at lunch, and that more major decisions are hammered out around dining-room tables than across office desks. It *can* happen at lunch. But few executives approach the lunch table with the intention of making major commitments or of wrapping up a particular problem then and there. It is an opportunity, rather, for exploring a situation, acquiring information, and for leading up to a deal or decision that, in all prudence and propriety, is ultimately consummated in the office.

But the subtleties of laying the groundwork for future deals constitute only one phase of the executive lunch problem. Equal finesse is required in the handling of intracompany lunches, especially when the table is set for only two. In many organizations such lunches offer the best opportunity for the man at the top to make himself available to his juniors, and about the only opportunity to get to know them in an atmosphere less inhibiting than the office itself. Yet to associates down the line, "lunch with the boss" is likely to be freighted with significance—and apprehension. The boss takes Smith to his club for lunch one day, and the office buzzes with the rumor that Smith's going to get the division managership that's open. The conscientious executive has to take care to spread his invitations equitably, else they are liable to disrupt, rather than build, morale. And no aspect of office politics can be more insidious than the "invisible government" of a lunch clique.

To a large segment of the executive population, however, the bother of how, where, and with whom to lunch has been vastly simplified by the institution of the in-plant, or in-building, executive dining room. Unquestionably, the trend toward the executive dining room is a strong one. Nevertheless, it is the subject of considerable debate.

Proponents say that an executive dining room is unsurpassed for convenience and timesaving; that it enhances team play among a company's executives, and gives them important visiting time with one another that the day's demands would not otherwise allow.

Opponents say that it promotes inbreeding and narrowness of view among a company's executives. They say executives ought to get away from their offices and associates at noon and seek stimulating contacts and new ideas from outsiders—expose themselves, in other words, to the cross-pollination of the business community, and perhaps spread a little advertising and good will for the company in the process. And besides, they add, what a sad setting a company dining room is for romancing a customer!

At Motorola, where Paul Galvin takes pride in his company's "shirtsleeves operation," the chairman, president, and any distinguished guests who happen to be present at lunchtime grab trays in the company cafeteria, wait their turn in line with the stenographers and production workers, and hunt for a vacant table. Interestingly, many a visitor is more impressed by this folksy performance than if he were taken out for the "A" treatment at a swank Chicago club. "These fellows," the guest ruminates, "sure mean business."

At B. F. Goodrich Co., 20 to 25 qualified executives lunch in a modestly appointed room with a single U-shaped table, at the head of which sits chairman John Collyer, or in his absence, president J. Ward Keener. If Collyer has a message to impart, or wants to channel the general conversation along lines of particular interest to the guests, all hands will be attentive. Otherwise the men will converse in groups of twos and threes about Goodrich business, or sports, or politics.

In most big U.S. cities, though, executive lunching habits are a lot less parochial. In New York City many executives will, in the course of a month, touch all the bases: the executive dining room, the private club, and occasionally the posh restaurant. But even at a famous restaurant like the "21" there's no dawdling. Proprietor Pete Kriendler observes: "Today's top businessmen don't linger over lunch as they did years ago." He finds they like good food—but not too much of it—a discreet table, and an early departure. ♦

THE AMERICAN ECONOMIC STORY, despite defects and drawbacks and dreams turned nightmares, is such a good and strong and persuasive story that it needs no attempt to conceal or gloss over blemishes and imperfections. It can stand on its own with its virtues and deficiencies fully displayed. Like Cromwell's face, the U.S. economy is best portrayed "warts and all."

—Herbert Harris

ADVERTISING Is Not a Plot

By Fairfax M. Cone

Condensed from The Atlantic Monthly

The October, 1957 issue of THE MANAGEMENT REVIEW *carried a condensation of Vance Packard's controversial evaluation of the advertising industry ("Motivation Research: Matching Ad to Id"). This article, written by one of advertising's leading practitioners, is a reply to Mr. Packard's contentions.*

IN HIS RECENT ARTICLE, Vance Packard has collected and collated a number of accusations of base advertising manipulation that add up to a vastly disturbing total picture. To be specific, Mr. Packard states that advertising executives have become the selfish masters of our economic destiny, dictators of the content of most of our radio and television programs, and judges with life-and-death power over most of our mass-circulation magazines.

This power, Mr. Packard believes, comes from the $10 billion spent annually by the advertising industry to persuade the American public to buy goods and services.

In the first place, of the $10 billion spent on advertising in the United States every year, the total spent through advertising agencies is some $4 billion. In the second place, advertising budgets, like advertising plans and advertising messages, are no less subject to management scrutiny than expenditures for plant and equipment and payroll.

The advertising agency in which I am a partner is retained by 43 advertisers. Their total expenditures through this agency in 1957 totaled almost $100 million, and not a single one of these dollars was spent without advertiser authority and without advertiser approval of advertising text as well as schedules.

As to the claim that advertising executives dictate the content of most radio and television programs, it need only be said that no half hour of time on any network or independent station is controlled by any advertiser or any advertising agency; nor does any advertiser or any advertising agency dictate the programming. Networks and stations allow only two options: not to buy either a time period or a program that is offered, or not to renew it.

The Atlantic Monthly (January, 1958), © 1957 by the Atlantic Monthly Company.

Mr. Packard's charge that advertising executives are "judges with life-and-death power over most of our mass-circulation magazines" is made with no shred of evidence, or even an implication, to support the allegation. True, there have been many protests by advertisers and their agencies about magazine articles to which they took exception, and scheduled advertising has been canceled. But I can see no difference between this and the action of an irate individual who cancels his subscription because of an article or story that he doesn't like.

Mr. Packard's article is at its most absurd when he presents as typical of general advertising agency operation and practice a number of experiments and experiences in so-called motivational research, amateur and professional.

Advertising is not a plot. Nor are most advertising people wily plotters. They are salesmen, in print and over the air. And just as most good salesmen-in-person seek to know all they can about their prospective customers, so do most manufacturers and their salesmen-in-advertising undertake to learn all *they* can about their prospective customers. Motivational research is done primarily for two reasons: first, to find out what people know about products and services, and second, to find out what people want in products and services that they're not getting.

Frequently, motivational research is used to find out why a certain product isn't selling or why a competitive product is selling much better. Sometimes the reason is that the advertising is stressing a point that the consumer doesn't consider important or is failing to stress a point that is important to him. In such a case, the advertising may be changed to make the important point clear. Or, if there is a lack in the product, the product may be changed.

There is another important use of motivational research. As Mr. Packard points out, with alarm that I cannot share, many competitive products today are very similar in quality, performance, taste, and appearance. Some critics of our system maintain this results from a concerted drive for standardization in all our products. No premise could be more false. Products are more alike today than ever before because few manufacturers can long hold any great advantage of research; competition is knowledgeable and alert and fast on its feet. The result is that more and more products and services are bought as a matter of personal choice rather than because of large variations in quality or performance or value.

Motivational research is one of the methods used to discover the elements governing choice in specific instances so that products, services, and advertising can be designed accordingly. To be sure, motivational research has utilized techniques used also in sociological laboratories: the depth interview, projective picture and word association tests, galvanometers, and even, perhaps, hypnosis, as Mr. Packard states. But what Mr. Packard infers is that their use is reprehensible, and this I do not believe.

The use of depth interviews is effective in many businesses. Pro-

jective picture and word association tests are standard in schools and colleges and in the hiring and placing of people throughout industry. And the galvanometer (lie detector) principle has been used only in experiments to measure accurately reactions to parts of radio and television commercials that are lost in recall tests.

The plain fact is that advertising must sell the very same products and services to the very same people again and again. If it lies to them or builds up false hopes it can only fail, and so must the advertising people who produce it and the advertisers who pay the bill.

The essential thing about advertising is that it is a multiplier of sales messages. It adds very little to the unit cost of most things we buy. As a result, advertising is one of the most important elements in mass production, for it makes mass selling at reasonable cost possible.

No advertising executive that I know wants to debase it. And, fortunately, those who do debase it commit their sins in public. What almost guarantees the honesty of advertising and advertising people is advertising itself. Punishment for sinning is swift and sure. It comes from a public that deeply resents being fooled and that will not buy any product again that has failed to live up to its original advertising promise. ♦

Don't Just Sit There . . .

WHEN A VENDOR SALESMAN waits in the reception room at the General Electric Home Laundry Department (Louisville), he has something else to do besides sit and look at other salesmen, magazines, or pictures on the wall. GE has turned the reception room into a Value Analysis Room and urges salesmen to spend their waiting time thinking up cost-saving ideas involving the use of their product. The room is one part of GE's aggressive campaign to get vendors to participate actively in the company's cost reduction program.

To help waiting salesmen come up with cost-saving ideas, GE has lined the reception room with cutaway models of the Home Laundry Department's products and has hung exploded schematic drawings of the products on the walls. In addition, each month GE buyers select a component or subassembly which has special cost-saving possibilities and hang the disassembled parts on a pegboard. Another pegboard displays some of the high-usage nonproduction items—such as pliers, work gloves, and insulator inserts—for the inspection of salesmen who might be able to supply the same product or a better one for less money.

—Harold C. Barnett in *Purchasing* 12/57

The rocking chair holds no charms for these former executives who are getting back in harness again . . .

They Won't Stay Retired

By John A. Conway
Condensed from Newsweek

A FAMILY-OWNED San Francisco plumbing firm recently turned a $180,000 loss into a $35,000 profit after a team of retired bankers, sales managers, and industrialists analyzed the operation and provided some top-drawer advice. This is a typical example of how businesses big and small are cashing in on the experience and know-how of retired executives—men who for one reason or another get more pleasure at a desk than at a bridge table. Some are front-page figures—Fred H. Ecker, 90-year-old retired chairman of Metropolitan Life Insurance Co., who still puts in a full day at his office; Benjamin F. Fairless, retired U.S. Steel boss who now heads the American Iron and Steel Institute; John Orr Young, retired founder of a top U.S. advertising agency, who as a consultant helped engineer some of the most important Madison Avenue mergers in recent history. Most are lesser-known, but just as valuable.

Some of these men operate alone, while others belong to organizations which donate their services. Still others, like Philadelphia's Walter D. Fuller (75-year-old former chairman of the Curtis Publishing Co.), run groups which operate on a profit-and-loss basis. Right now, Fuller is busy filling requests for the services of more than 600 pensioned presidents,

Newsweek (January 13, 1958), © 1958 by Weekly Publications.

vice presidents, and other top-level executives, a roster that he expects will soon grow to more than 1,000.

All these executives have two things in common—they don't particularly need the money, but they do need the work. The retired men who pool their talents (at $50 to $500 a month) to help small businessmen in San Francisco, explains William Logan, who runs William B. Logan & Associates, do it for "the feeling of doing something, knowing that they are not 'retired,' and also helping others." William E. Mitchell, 75-year-old ex-president of the Georgia Power Co. and now president of the $7 million Atlantic Realty Co., says succinctly, "A retired man should find some other interest to keep him busy so he won't go looking for a rocking chair."

Maurice du Pont Lee is one of the leading talent scouts who help put the dust on the rocking chairs. A retired Du Pont engineer, Lee in 1950 sparked Wilmington's Consulting and Advisory Services, putting a formal stamp on what he and other retired businessmen had been doing all along. The retired millionaire, Lee thinks, has an obligation to society. "He has no right to go to Florida and sit under a palm tree and wait for the undertaker. I'm digging these people out of the sand, and, strange to relate, they are glad to be dug out."

Lee and his associates stand ready to tackle almost any project, without charge. Some projects are big—the group, for instance, helped set up American Superior Products, a firm which has solved the problem of what to do with the huge heaps of lime sludge which formerly defaced the countryside around acetylene plants. (It now fertilizes farmland, makes lime bricks, and goes into rivers to neutralize waste acids from dye works.) Other projects are small—the same brains rescued a nearly defunct bookshop: A retired Du Pont statistical chief set up new inventory controls; an ex-purchasing agent for Du Pont took over buying; and Du Pont's old real-estate manager found a better location for the store.

Another nonprofit group, Experience, Inc., got under way in St. Louis when William Charles, a retired businessman, was asked to head a committee investigating the city's school operation. Curious about why he had been tapped, Charles learned that several civic organizations had drawn a complete blank on candidates for the job. "It occurred to me then," Charles recalls, "that there must be, in a community the size of St. Louis, many retired executives who had both the time and experience to do the job, but being in retirement they were forgotten." Experience, Inc., now five years old and 32 men strong, was the result. In a typical year, it handles well over a hundred requests for help from job-seekers, small businessmen, and investors looking for companies to buy.

Even in purely philanthropic work, Charles and his company contribute much more than names to the letterhead. One member, a retired department-store merchandising manager, showed the 102 agencies of the St. Louis Community Chest how they could save $15,000 a year by consolidating stationery purchases.

More groups like these are being organized, some with a slightly different emphasis. Robert Lea, a retired Sperry-Rand vice president, recently set up Long Island Experience, Inc., to enlist retired brass in such projects as forging better links between U.S. and foreign scientists.

If retired executives can perform so well, isn't it silly to make them retire in the first place? There's no agreement on that issue, but even men who hold that the executive should step out at some point insist that he need not stagnate. Atlanta's A. R. Glancy, one-time vice president of General Motors, admits that "industry is a young man's job. There comes a time when you haven't got the physical energy to work fourteen, sixteen hours a day." But, adds Glancy, who since his "retirement" has owned or controlled 27 small businesses and is building a $400,000 addition to his hospital at Duluth, Ga., "I haven't quite crossed my feet and started rocking." ♦

Retirement—Optional or Compulsory?

SHOULD there be a compulsory retirement age for employees or should a company retire its employees on the basis of individual circumstances? Employers lined up on the pro side cite these advantages:

1. Compulsory retirement protects the company from accusations of discrimination.
2. The worker leaves without feeling that he's being retired because of inability to perform his job.
3. Compulsory retirement means the employee can plan his retirement for a specific date.
4. A compulsory retirement policy assists the company in planning for replacements of retiring employees.
5. Younger employees have more incentive, since they know where and when vacancies will occur.
6. The costs of a retirement plan can be more accurately predicted.

Other companies favor the flexibility of the optional retirement plan, for these reasons:

1. Retirement practices can be adjusted to meet changing economic and social conditions without the need for restating policy and amending the pension plan.
2. Workers do not grow old at a uniform rate.
3. Employees without enough accrued service for pension benefits can continue working until they meet eligibility requirements.
4. If efficient workers are allowed to continue on their jobs past the "normal" retirement age, pension costs are reduced or larger benefits can be paid to those who ultimately retire.
5. A flexible policy may encourage the development of improved techniques for judging capabilities of older workers.

—*For Your Information* (Hewitt and Associates, Libertyville, Ill.) Vol. X, No. 4

With the Russian economy growing five times as fast as ours, we may be in danger of losing both our economic leadership and our security . . .

Can We Spur Economic Growth?

By Dexter M. Keezer

Condensed from The Saturday Review

It seems likely that the current business letdown will turn out to be only a bump along a path of rather steadily sustained national prosperity. But even if this proves to be true, there will still remain unanswered two crucially important questions about the economic prospects of the United States.

One of these questions has to do with the quality of our national economic performance. Granted that our economy is a prodigious producer of prosperity; but is it producing the best kind of prosperity, and is it producing the things we need to be reasonably sure of successful survival? A country may be rich enough to produce truly fabulous chromium-plated traffic jams, but it is still in a perilous posture if its technology is second-rate because its science laboratories and classrooms are too thinly manned in numbers and quality.

The second question concerns the quantity of our economic performance. Again, granted that the U.S. economy continues to be a tremendous prosperity producer, why has its rate of expansion and growth fallen off sharply in the past two years? And what needs to be done to get it growing again at a healthy rate?

In the last two years, the U.S. economy has, in terms of physical output of goods and services, grown at the rate of about 1.4 per cent a year. For a decade before that it averaged about 3.7 per cent a year.

This slowdown in economic growth means that we have been falling behind in developing that margin for the improvement of our economic society, and particularly its underprivileged elements, which has been the great promise of America. It also means that in the race with Russia we have been making a conspicuously

Saturday Review (January 18, 1958), © 1958 by Saturday Review, Inc.

sorry showing in the crucial area of economic expansion and growth. The economy of the Soviet Union has been growing at a rate of somewhere around 7 per cent in the past few years, or about five times as fast as our economy has been growing.

It is true that the Russians, with their sputniks, have provided the stimulus for large increases in our expenditures for national defense. In restoring business to something approaching its pre-slump level, these defense expenditures will substantially offset the decline of business investment in new plant and equipment now in progress.

Moreover, the U.S. consumer, notably well-heeled with cash or credit resources and far less flighty than some of his business leaders, is continuing to spend in his customarily big way. Before long, there will be a need for rebuilding inventories, and in this process the industrial production curve will be tilted upward again.

It is one thing, however, to get our economy back on an even keel again. It is another, and perhaps more difficult, thing to overcome the lagging rate of economic growth which has prevailed for the past two years.

Rather by accident than as a result of any conscious national economic policy, it is likely that our economy will be ready for another surge of growth in the early 1960's.

The industry of innovation, created by tremendous outlays for research and development, has a huge array of new products, processes, and equipment in the works. As they come out of the research and development stage into production, they will give great new impetus to economic expansion. But, because of the long lead-times involved, they cannot be expected to do so in a sweeping way before the early 1960's.

It seems doubtful that defense spending will provide any economic growth in the interim, since it will involve relatively few billions. Moreover, private industry is not now in a position to take up the room for growth in the economy. In almost all lines of manufacturing there is now an excess of producing capacity which has put a temporary damper on further expansions of investment.

The upshot seems to be that unless something special is done the U.S. economy may lag in growth for several crucial years. What is that something special?

In the flood of post-sputnik-appraisal of our economy, some people have suggested that in order to rebuild our military and scientific security we should start making heavy sacrifices in civilian consumption and embrace austerity as a national idea. This is economic nonsense which could become dangerous if enough people take it seriously. We are still so rich as a nation that our consumers can do without at least a third of everything that is produced without any serious personal inconvenience. But if consumers called a halt to this optional consumption there would be a depression that would not merely curl our hair but blow it right off. And such austerity measures are completely unnecessary. Our economy can provide all the instruments

of defense, including foreign aid, and all the scientific development we can use effectively, without any sacrifices in civilian consumption.

Indeed, we are in a position where, to realize a healthy growth potential, our economy must *increase* its output of civilian goods and services at a faster rate than it has in the past few years. And this necessity is also the opportunity to take long overdue strides in improving the total quality of our economic performance.

Along with many schools at all levels of education which are starved for adequate support, we have what should be beautiful rivers serving as sewers, we have slums almost as superlatively disreputable as the cities in which they are located are rich; we have city dwellers breathing air that barely misses being an attractive coal and soot mining proposition; we have some city streets so cluttered and littered that we almost wade, rather than walk, along them—and these are but some of the areas in which our economic performance is overdue for improvement.

Removing these assorted blotches on the quality of our economic performance presents some special complications. For one thing, most of the problems initially call for community rather than individual action. Until we develop more ingenuity in harnessing private enterprise to the job, government action of some kind is generally involved in seeking a solution. And when it is local government, as is the case more often than not, the fiscal machinery for financing the necessary operations is woefully creaky.

But the choice, in any case, seems to be one of grabbing some economic and political nettles of this kind and using the growth potential of the next few years to improve the overall quality of our country's economic performance, or letting the growth potential lapse and perhaps losing our economic leadership, our security, and just about everything else in the process. ♦

Our Peripatetic Population

AMERICANS MOVE AROUND SO MUCH, it wouldn't seem likely that they'd hold still long enough to have their traveling habits documented. However, *Business Week* reports, the indefatigable Census Bureau somehow managed to make a nose-count of travelers during the first 15 weeks of 1957, and the statistics are impressive. Defining a trip as involving at least 200 miles all told or at least one night away from home, the Bureau found that some 48 million Americans took round trips, averaging 4.3 days each. Visits to friends and relatives accounted for the biggest proportion—21.4 million trips—and business trips came next, with 13.6 million.

The car was the most popular type of transportation, used for 83 per cent of the trips. Public transportation, with the rails drawing more travelers than the airlines, made its best showing on trips of over 500 miles; it was used for 38 per cent of these longer journeys.

A self-portrait of

The Executive Wife

By Elizabeth Honor
Condensed from Cosmopolitan

THE EXECUTIVE WIFE has been subjected to some exhaustive scrutiny in recent years by both social observers and corporation managements. Now a recent survey presents another viewpoint—her own.

Conducted by John A. Patton Management Engineers, Inc., a management consulting firm, the survey came up with some interesting answers from 4,000 wives of top executives to questions on how they view their husbands' jobs, how a wife can help her husband climb to the top, and how they feel about making sacrifices to further their husbands' careers.

How a wife views her husband's job may have a good deal to do with his success, the findings indicate. Asked what they thought was the most important single consideration in choosing a job, most of the wives replied, "Opportunity for advancement." They rated other considerations in this order of importance: the reputation of the company, salary, and security. Says John A. Patton, "The significant conclusion . . . is that the men who are the most successful are the least concerned with security." And their wives help them keep their perspective.

One source of management headaches is a wife's resentment about moving when her husband is transferred to another part of the country. However, most wives of top executives seem willing to make the move. The survey asked, "If your husband were offered a promotion by his firm, in a city far removed from your present location, would you want him to accept it?" Ninety-three per cent said, "Yes." Some added that a wife should follow her husband "if she expects him to be successful."

Yet when extensive traveling by the husband was involved, even top executives' wives proved less co-

Cosmopolitan (February, 1958), © 1958 by the Hearst Corporation.

operative. Asked, "If your husband were offered a promotion within the company that involved considerable traveling, would you want him to accept it?" Sixty-four per cent said, "On a temporary or conditional basis," while 36 per cent gave a flat "no." Said one wife, "A complete family, together and happy, is of more value than extra financial security." And many wives feel that a happy family life is a necessity if a husband is to succeed at the office.

Intelligent understanding of a husband's business is important, the survey indicates. Seventy-one per cent of the women discuss their husbands' business affairs with them, and Patton points out that the average wife of a top executive appears to have an intellectual capacity within the range of her husband's.

Anger at the amount of time their husbands' business consumes and resentment of the intrusions of business entertaining are relatively rare—in fact, most executives' wives seem well satisfied with their lot. Most of the wives were philosophical when asked how they felt about the term "business widow." Some of the answers Patton received were: "No differently than about golf widows or any other variations;" "It's the price you pay for your husband's success;" "If you want the advantages of being an executive's wife, you have to go along with the disadvantages—and there is no other way to look at it." Possibly the most unusual answer was, "I believe that some wives ask for it. A man may find his business associates much more congenial than his family."

The ladies did point out that the day of the man-on-the-job-every-minute is past. Plenty of vacations—winter and summer—are vital to health, they maintained. Fewer demands on the executive's time were also recommended, and a reduction of pressures that are a drain on his health.

No wife wants to handicap her husband, but many unwittingly do just that. The women queried by Patton felt that the wifely failing most ruinous to a husband's career is extravagance. Hard-pressed, a husband may spend unprofitable time worrying about family finances. He may be forced to look for a bigger income with another corporation—and be fired when his company gets wind of it.

Drinking too much is another form of wifely sabotage. After too many martinis she may do anything from blurting out a criticism of the president's wife to simply becoming giddy; either way, she's a social liability. Wives who "drop in" at their husbands' offices also deserve a black mark. And a wife who insists on speaking her mind in a tactless way can do great damage to her husband's career.

The poorest risk as a wife, according to the women queried, is the domineering woman who interferes in her husband's career. There's a difference between showing interest in a husband's business affairs—which is good—and meddling in matters which simply are none of a wife's business. When a wife calls the shots at home, the company knows it; the man is considered less able to accept responsibility and more susceptible to outside pressures. ♦

Products, Purity, and Profits

By Melvin Mandell

Condensed from Dun's Review and Modern Industry

AT AN EVER-INCREASING PACE, profitable new products, new companies, and even new industries are evolving from advances in industrial purification. For many companies today, new purity levels may open up new markets and provide opportunities for higher profits.

Why is there so much more concern today—some technical people say there is too much—about purity of materials? First, never before has technology demanded so much of them. Even with all the new materials, such as plastics, that have been developed, and all the new combinations of older materials and new ways of preparing them, many demands for increased strength, corrosion resistance, or performance at new extremes of heat or cold remain to be met. One important way to gain such improved properties or to allow materials to be worked closer to their ultimate capacities is to remove impurities.

Another reason for concern about impurities is the increasing complexity of plant processes. With more steps, opportunities multiply for impurities to gum up the process. A third reason for the current interest in impurities is that their role in materials is better understood. Many substances that were once considered trace impurities are now recognized as essential ingredients or catalysts.

Researchers are now finding impurities that no one knew about before, thanks to mass spectrometers, activation analysis with radioisotopes, spectroscopy, and dozens of other new devices and skills. There is also a new kind of impurity around that few had to contend with before World War II—radioactivity.

As purity requirements rise, manufacturers to whom purity is important will do well to supply themselves with the most imaginative and experienced researchers. And the researchers must be provided with elaborate and expensive tools.

Such manufacturers should make

Dun's Review and Modern Industry (November, 1957), © 1957 by Dun & Bradstreet Publications Corporation.

sure their engineering or process design departments are keeping tabs on new refining techniques in other industries, even in completely unrelated fields. For example, the technique of zone refining, though originally developed to refine germanium to incredible purities for transistors and other electronic devices, is now being used in other fields.

The role of production and quality control people in maintaining purity is obvious—and crucial. If they don't insure the proper grade of purity, all the other efforts are lost. One factor that makes production's job even harder is the generally declining quality of our natural resources. Crude oils are more sour, and metal ores contain less metal and more impurities per ton.

As compensation, the production people have a variety of superaccurate new process instruments to indicate whether impurity limits are being exceeded at any point in the process. For example, the mass spectrometer, a rare sight in laboratories ten years ago, is now available as a process analyzer for chemical, petroleum, and petrochemical plants.

Increased purity and more purity levels are making new demands on industrial salesmen. They must have an intimate knowledge of the purity requirements of the market, so that they can sell bulk shipments quickly to a second customer if the original customer cancels the order or rejects a lot.

The sales manager can offer valuable advice on how many grades of purities to produce and market, although this is still a top management decision that calls for expert knowledge of all phases of company operations. Obviously, it is easiest to produce just one grade. Yet offering a number of grades insures that the demands of a larger number of customers will be met. How does a company decide what to do?

The Linde Company, a division of Union Carbide Corporation, has adopted the rule of "mass use." Where demand for a product is overwhelmingly for one grade, only that grade is produced. But if the material is new and most of the uses for it have not been explored, offering a number of grades gives a company the best chance of finding customers. For example, DuPont offers four different grades of high-purity silicon—the highest for high-power transistors, the lowest for solar cells.

Although producing more than one grade creates production problems, there are compensations. If a batch doesn't meet the highest specs, it usually can be put into service at a lower level.

The purchasing agent of a material-using firm should make sure that his company is not paying for more purity than it needs: he should question each purity spec at regular intervals. The new purchasing agent of one leading drug company discovered enough instances of buying unnecessarily high-grade materials to save a lot of money—and earn himself a handsome bonus.

Of course, the purchasing agent can carry this "show-me" attitude too far. One researcher complained bitterly that his company's purchasing agent always buys the cheapest

chemicals for the research lab. The research staff has to spend hours of its valuable time purifying 15 cents worth of chemicals to a level they can buy for half a dollar!

To understand the need for high-purity materials and their handling, and how to interpret the many specifications prepared by the great national organizations that set purity standards, the P. A. needs technical training. Not only must he be technically competent, he must be businessman enough to appreciate the effect of changing markets on the availability of pure materials. When supplies are tight, manufacturers of raw materials naturally concentrate on producing their higher-cost, purer grades. Purchasing agents must know when to stockpile to avoid paying for unnecessary purity.

Bargain-hunting is only common sense for purchasing agents. They should have their lines of communication out so that they will learn of materials rejected by other manufacturers that might be satisfactory for their own needs. At Federal Pacific Electric Corporation in Newark, N. J., the purchasing agent saved thousands of dollars by buying some carloads of urea molding powder prepared for button manufacturing. Little flecks of red in the plastic made it unsuitable for buttons, but its electrical and mechanical qualities were unaffected. ♦

The Big Bill for Fringe Benefits

THE COST OF EMPLOYEE FRINGE BENEFITS to U.S. industry continues to rise. According to a survey of 174 companies in the Cleveland area made recently by the Associated Industries of Cleveland, fringe benefits have increased 11 cents a man-hour since 1955. The average cost for these companies is now 49.5 cents an hour, compared with 38.5 cents in 1955—an increase of 30 per cent. The Cleveland area is considered to be representative of U. S. industry as a whole.

Large companies employing over 1,000 workers have been hit hardest by increased benefits costs; they are paying 52.6 cents a man-hour, or 13 cents more than in 1955. For medium-size companies employing from 101 to 1,000 workers, the cost has risen to 44.7 cents, an increase of 7.7 cents. Small companies (100 employees and under) have had an increase of 5.8 cents, from 35.6 cents to 41.4 cents. Cost increases vary with company size because larger firms are usually the first to grant new or additional fringe benefits.

More than 30 fringe benefits were used in the survey, including bonuses, pensions, paid vacations, insurance, rest periods, and uniforms.

—*The Iron Age* 12/19/57

℞ for Small Business Problems

What's worrying the small businessman today? Here are some of his troubles—and the steps he can take to solve them . . .

Condensed from Steel

WHAT are the basic problems hampering small companies today, and what can they do to solve them? At the President's Conference on Technical & Distribution Research for the Benefit of Small Business held in Washington recently, three different groups were asked to rate the most important problems of small firms. Executives from large companies put research and development needs at the top of the list, personnel problems next, and financing problems third. Government leaders put financing first, then listed personnel and research. Small businessmen themselves also rated financing problems as most important, with personnel, marketing, and research problems following next. All three groups put production and government relations problems at the bottom of their lists.

What measures can small companies take to solve their most pressing problems?

Financing. Borrowing for the future is a legitimate way of conducting a small business, although many a small businessman still has scruples about it.

There are a number of sources of funds for small borrowers: commercial banks, commercial paper houses, factors, industrial finance companies, personal finance companies, investment bankers, and the Small Business Administration.

The investment banker is too often neglected by small business, but he may be able to help more than any other financial agent by finding outside capital. Outside capital can aid growth, expand the credit base of the company, reduce risk by dividing ownership, and provide directorships that bring valuable counsel.

Personnel. Every company has personnel problems. But a small firm's difficulties are complicated by the fact that the owner often tends to be a do-it-yourselfer, somewhat scornful of progressive ideas such as management training.

Yet even small companies must do more recruiting and training of management personnel. James G. Garwick, regional Small Business Administration director in Cleveland, offers these tips:

1. In recruiting, small com-

Steel (November 11, 1957), © 1957 by the Penton Publishing Company.

panies should try the smaller colleges. They should also be on the lookout for bright young men with experience who don't like the institutionalized features of big companies.

2. Watch out for the specialist—he's usually not for the smaller firm.

3. Start training by putting a blue collar on the prospect and sending him through all operating functions of the shop. Next, send him out to sell, and after that, put him to work with the head of each department.

4. Keep him informed of his progress and where he's headed.

5. Give him problems to solve. The way he handles them will indicate the direction in which he should be guided.

Marketing. Small business does more marketing than any other segment of our economy. "Yet, many small businessmen are afraid of marketing research," says Arthur H. Motley, president and publisher of *Parade.* "Such words as 'market potential,' 'selective analysis,' or 'probability sampling' scare them to death."

The small businessman may be doing market research now and not recognize it as such. The manufacturer who interviews his salesmen on field conditions is doing it, as are the salesmen who report product preferences among customers and the controller who notes that profitability among different lines varies.

The small manufacturer often can get market research data cheaply. Practical help can be obtained from commonly available sources—business magazines, trade associations, government agencies, competitors, suppliers, customers.

Even original marketing research isn't always expensive. A producer of special fasteners made a market study that led him to shift from direct salesmen to agents to improve his coverage and cut selling costs. The expense of the study was less than $500.

Research and development. National research and development expenditures currently run between $5 billion and $6 billion annually, and are increasing at the annual rate of about 10 per cent.

Small business, however, is lagging far behind in the use of research and development. Only 8.3 per cent of all companies employing from 8 to 99 workers have organized research programs, and only 22.4 per cent of companies with 100 to 499 workers. In contrast, 42.3 per cent of the companies with 400 to 999 employees do research, 60.2 per cent of those with 1000 to 4999 employees, and 94.3 per cent of those corporations with more than 5000 employees.

Even if a research program could be financed, few small businessmen know how to plan, staff, and run such an activity.

There are still a number of ways a small company can get on the R & D bandwagon, however. One is to resort to limited research by farming out carefully selected jobs to an outside organization. Another is to participate in cooperative research through trade associations or other organizations. Finally, the small company can take advantage of the research results developed by large companies, through licensing or similar arrangements. ◆

The Growing Role of Presidential Assistants

Condensed from Business Week

MORE AND MORE, in recent years, a new-old title is cropping up on corporate organization charts—the assistant to the president.

Also known as "executive," "special," or "administrative" assistants, their real duties can range from those of a glorified secretary to the functions of an actual operating boss of a company—with almost every possible gradation of authority or influence in between.

Arguments over the merits of the position still flare up in management circles, but one thing is certain: Both the use of and the powers of "assistants to" are growing. *Business Week* surveyed some 300 companies across the country and found that almost 70 per cent now have an "assistant to the president." In the vast majority of cases, the job and the title have been created within the past five years. Salaries range anywhere from $10,000 to $75,000 a year. In some cases there were also assistants to the chairman, and to certain selected vice presidents. A few presidents used multiple assistants-to, occasionally as many as four.

Among those companies that still do not use them at all, many were violently against the idea—but a fair number were "investigating the advisability of setting up such positions." The hard core of the opposition, however, seems irreconcilable, declaring that the whole idea makes no sense, is a sign of fuzzy organization, and can create more confusion than it clears up.

Why the increased use of the position? The administrative rationale goes this way:

Much of the routine foisted upon the top man does not really require his personal attention. When his time is cleared of petty details, he is available for major decisions and important direct conversations that do require his immediate attention.

Moreover, with the growth of decentralization, the president has nobody to "just plain talk to." He can bounce half-formed ideas off the

Business Week (No. 1468), © 1957 by McGraw-Hill Publishing Co., Inc.

assistant—whose only loyalty is to him personally—without precipitating a scramble, and discuss personality problems without alerting the company grapevine.

Why does the assistant-to job often grow beyond its original scope? One assistant, who describes his group as "the 'Hey, you' guys," has this explanation: "You're there. So when something comes up that doesn't fit an easily definable slot, the boss says, 'Check into it.' You're not bucking for his job, so he talks to you more—and more frankly—about the people and the problems than he can to anyone else. After a while, you know what he thinks, and how he thinks, about everything from production policies to politics. So when something comes up that you know the answer to, you take care of it, and he doesn't have to be bothered."

Most assistant-to jobs, however, are still comparatively narrow-range. In one company, the aide's primary duty is to run the company's private airline. A considerable number of assistants-to are essentially public relations men, representing the company and the president in community affairs, greeting visiting VIPs, and writing the president's speeches. In the survey, the largest number of assistants-to fell into three basic categories: advisers on public relations, finance, or legal matters. They were usually completely independent of existing departments in those fields.

Rarely are assistants-to in a line capacity, and very few have authority to give, or even transmit, direct orders to any other executive. Yet now the job, once considered the end of the road, is being eagerly sought—and the survey indicates that some earlier conceptions of it are changing.

According to these earlier views, an assistant-to must be able to subordinate his own ambitions and get his sense of importance and personal worth from his boss's accomplishments. This concept makes the ambitious, individualistic executive a poor bet for the job.

In practice, however, the position is more frequently becoming a solid stepping-stone to a top line job. Among men who have served hitches as "assistants-to" are T. S. Petersen, president of Standard Oil in California; Ernest S. Marsh, president of the Santa Fe Railroad; and Mark Cresap, executive vice president of Westinghouse.

Some firms have deliberately adopted the device as a instrument for executive development. One company, for example, picks a promising man on the lower supervisory levels and makes him presidential aide, handling routine administrative chores, but "learning the breadth of operations." At the end of a year, he returns to his original level—but the company assumes the special training he got during the year will help him move up fast. Another company starts with an official already well up the ladder and makes him presidential assistant for two years. Then—unless the man has flubbed—he's promoted to the vice presidential level.

In spite of the growth of the practice, there are still many dissenters, who see the whole system

as either nonsensical or dangerous.

One of the more vocal critics, Ralph J. Cordiner, president of General Electric, insists GE "has no place for assistants, assistants-to, or administrative assistants." Such positions, he says, create confusion as to responsibility, authority, and accountability. "If the position is too big for one person, then the work should be divided up into as many positions as are required to do the work efficiently. Each position should be able to stand on its own, with specifically defined areas of responsibility and authority."

Other dissenters argue that the top executive who uses an assistant is simply admitting that he is not capable of delegating fully and effectively to his line subordinates. They also point out the danger that the assistant may become an actual block in the channels of communication between the president and senior line executives—with resulting misunderstandings that are infinitely more troublesome than the routine chores eliminated.

Indeed, the critics suggest, an aide can sometimes insulate the top man too well from petty problems. "The 'little' problems are all too often seeds of the great big problems," says one. "The assistant 'takes care' of them, sure. But if they'd come to the president's direct attention early enough, his greater experience could spot potential trouble that the assistant misses completely." ♦

Office Salaries Climb to Record Highs

IN RESPONSE to the continuing shortage of qualified office workers, clerical salaries rose to new highs during 1957. According to a survey of 6,058 companies—employing some 464,905 clerical workers—recently completed by the National Office Management Association, the average office salary is $64 a week, an increase of $2 over 1956. The survey covered 24 basic office jobs, ranging from private secretary to messenger.

The highest paid clerical worker in most cities is still the senior bookkeeper, according to the survey. He now draws an average salary of $87 a week, a gain of $2 since 1956, and Houston bookkeepers get the top U.S. clerical rate of $109. The largest salary gains—of $4—were registered by cost clerks (now $78) and tabulating machine operators (now $75). Only addressing machine operators failed to make any gain—their average salary is still $56 a week.

Average salaries for other clerical jobs are: payroll clerks, $71; sales order clerks, $74; private secretaries, $87; key punch operators, $62; stenographic secretaries, $73; telephone operators, $61; senior typists, $60; and file clerks, $53.

Keeping tabs on MANAGEMENT PERSONNEL

Condensed from Nation's Business

To MAINTAIN a company's operations at peak efficiency, top management must have a thorough knowledge of personnel strengths and weaknesses. Who is available to fill future vacancies? Where are these vacancies likely to occur? How fast can a certain employee be expected to develop his potential?

For answers to questions like these, American Cyanamid Co. has developed a comprehensive program for reviewing its supervisory, managerial, and technical personnel on all levels. The program provides both factual information and an appraisal of each employee to ascertain his potential, where he is going, and what he needs to get there. The job is being tackled by assigned divisional personnel, assisted by the corporate personnel staff.

The first step in each division is a complete inventory of all employees who will be included in the program. They fill out a detailed experience record that includes personal background and family status, education, outside interests and activities, ambitions and future work interests, work experience before joining the company, and work experience since coming with the company. After the questionnaires are completed, the information is coded on IBM cards so that in a matter of minutes statistical information can be gathered on the entire managerial staff. Information on each employee is updated annually with a supplementary questionnaire on changes in marital status, health, responsibilities, skills, etc.

In addition to its use in statistical analysis for the various divisions, the IBM card system plays an invaluable role in internal placement within the entire corporation. An IBM sorter system enables a company-wide talent search to be made for personnel with specialized skills that are needed for a specific vacancy.

Cyanamid management believes that one of the best ways to encourage people to develop is to provide them with tangible proof that opportunities exist throughout the company for growth and promotion. Reuben Hock, who heads the internal placement section, says:

"When people in our offices and plants as far away as New Orleans see that someone has been thinking about them and that they are not

Nation's Business (December, 1957), © 1957 by Nation's Business—the Chamber of Commerce of the United States.

out in no man's land, it is much easier to make placements throughout the company. People aren't afraid to move around, because they know they are not going to be lost in the shuffle."

Appraisal of individual potential is accomplished by talking with each employee's supervisors. The interviewing is done by a personnel relations staff man, because managers seem to talk more openly to an outsider.

In making the reviews, staff people are guided by four basic rules:

1. *Get opinions orally.* To write appraisals of a dozen persons might take a manager six to eight hours. He can cover that many people orally in a little more than an hour. Moreover, most managers feel free to say things they normally would not put down on paper. They pull no punches, and they don't worry about dressing up statements.

2. *Review every employee on each level.* It's not always true that the best men are easily spotted. So it's a good rule not to rely on superficial indications to identify the outstanding candidates for better jobs.

3. *Never accept a single opinion of a man's qualifications.* Cyanamid officials try to get appraisals of each employee from three to four persons. This tends to reduce the chances of error or inequity.

4. *Don't accept the initial appraisals as the last word.* These opinions must be supplemented by further analysis of the individual's capabilities before being used as a basis for managerial decisions. Moreover, people do change, and an annual review is advisable to guard against tagging a man with a permanent label.

The factual information gathered on each employee is used to build a complete picture of the company as a whole. Charting company jobs by salary level, education level, and other pertinent categories enables management to detect weaknesses and strengths within the organization. For example, a chart of management jobs by salary level would reveal any serious discrepancies in the relationships between jobs and salaries—e.g., there might be an unusual salary differential between the production superintendent and the next highest paid employee in that function, thus indicating something wrong with the job titles, salaries, or the organization structure.

Another important chart shows the flow of personnel in and out of the company, usually over a five- or ten-year period. Analysis of this chart can reveal whether employees are going outside the company for advancement and whether they are being given the opportunity to work at different locations, under different bosses, and in different functions. Such a chart also shows whether any specific division or department is failing to provide its share of qualified candidates for top company positions.

Bottlenecks in promotional channels can be readily pinpointed through the use of this chart. Because length of time on present jobs is shown graphically, managers can see which employees have leveled off, which are moving up, and where poor performers have not been removed. ♦

Overseas Licensing: Not So Easy as It Looks

By Charles Henry Lee
Condensed from Harvard Business Review

THE APPEAL OF LICENSING as a quick and easy solution to overseas marketing problems may blind many companies to the numerous pitfalls that can lead to real disaster if arrangements are not made on the proper basis.

There is no doubt that the licensing of manufacturing and marketing rights for foreign countries has important advantages for the company that either cannot or does not wish to invest in overseas plants or export its products. Equipment and know-how can be readily transported to a going organization and operations quickly set in motion. Licensing eliminates the work of doing many of the things ordinarily required in establishing a new business. And the licensee bears the burden of handling import barriers and other restrictions.

The increased opportunities in the forthcoming Common Market in Europe and the growing possibility of a Free Trade Area surrounding it make the licensing technique even more intriguing to an increasing number of firms who may find it worthwhile to do business abroad.

There is danger, however, in such an apparent array of advantages. They make licensing look so attractive that there is a temptation to accept it without proper scrutiny and to handle it without due care. To illustrate:

A consumer-product firm licensed a company to manufacture and sell its products, using the licensor's name and brand. Its only income under the agreement was a royalty. After several years of operation, the royalty increased in local currency but declined in dollars because of devaluation and other developments. As it turned out, a half-ownership in the company would have increased the licensor's annual income by five times.

When is it desirable to license?

Harvard Business Review (January-February, 1958), © 1957 by the President and Fellows of Harvard College.

The practice is generally used when a product can no longer be supplied to the foreign market on an export basis, and the licensor does not wish to set up his own production facilities for any or all the following reasons: lack of personnel, shortage of investment funds, absence of local know-how, overwhelming strength of the licensee in the particular foreign market, a poor local investment climate, or great potentials in a compensating cross license.

Before a company arranges a licensing agreement, it should have a clear understanding of the full implications and broad, long-range considerations of the process. Here are some of the prior questions that must be answered:

What does the prospective market offer you and your products? If the market turns out to be more extensive than the licensor realized, he may shortchange himself. On the other hand, the licensor may have an exaggerated impression of the market's true value and insist on unrealistic and onerous financial conditions which prevent a more modest development of the market that could be profitable for both parties.

By knowing the market's potential and the costs of developing it, the licensor can make a fair bargain that will mean maximum benefits for him and a satisfactory return for the licensee.

What do you expect to obtain through a licensing arrangement? The licensor should have a clear idea of the extent of market development and the amount of income he expects from the licensing agreement. Conditions can then be written into the agreement that will enable these expectations to be met.

Which licensee can do the most effective job? The best licensing arrangement that can be drafted will be a failure unless a partner capable of carrying his share of the load is selected. The licensee need not be a large and wealthy firm, of course. On the contrary, a smaller organization with fewer conflicting interests may often be able to do a better job. But it must have solid integrity and sufficient financial resources to carry out its obligations.

One hazard of licensing which spells trouble unless it is anticipated in the contract is the parent company's loss of control over the manufacture and marketing of its products. In a simple, outright agreement in which production and marketing rights are turned over for a straight royalty, serious problems can develop. But alternative licensing relationships can be worked out which substantially minimize this danger, though they cannot eliminate it altogether.

It is easier to establish controls over production than controls over the market. For example, it is possible to provide for quality control in the agreement by insisting that samples of all production batches be approved by the licensor. In this way the licensee can be prevented from putting out an inferior article, even though the licensor may not actually have a technical representative stationed in the overseas plant. It is also feasible for the licensor to insist on regular reports on various aspects of production, thus enabling him to keep tabs on the manufacturing process.

If possible, a technical representative of the licensor should be on hand to watch over quality and other production factors. He cannot run the plant, however, and must not interfere with the licensee's activities.

A more serious danger lies in the marketing area. By turning over the sales function to the licensee, the licensor divorces himself from his product's customers, even though he may reserve for himself the right of visitation or some other privilege that will keep him abreast of the market's development. Yet it is essential that the licensee control the market if he is to discharge his responsibilities properly. The problem for the licensor is to find a way to exercise a greater degree of influence over the market's progress and obtain the maximum financial benefits possible.

The creation of a special marketing company to sell only the licensee's products as part of the contract is one excellent technique. To insure his wholehearted interest, the licensee has to be given a large degree of participation in such a company, especially if he is to assume the cost of its operation.

However, even a minority stock interest by the licensor is useful. Even though the licensee undertakes to operate the selling company, the licensor will have a voice in its direction through his stock interest, as well as a valuable financial interest in its profits. If the company is successful, this will undoubtedly represent considerably more than mere royalty income. ◆

What Are You Paying for Office Space?

AS THE RATIO OF OFFICE WORKERS to production workers keeps on rising, office rental costs are becoming an increasingly important factor in total costs. This is pointed up in a new survey by the National Association of Building Owners and Managers, which has produced some interesting figures on the wide variations in office space costs in different parts of the country.

Of 29 large cities—in which a total of 465 buildings were surveyed—Providence has the lowest average rental cost: $2.81 per square foot. Milwaukee ($2.86) and St. Louis ($2.96) are the only other cities in which average costs are under $3.

Highest rates were found in Pittsburgh ($4.68) and Philadelphia ($4.24). In Dallas and Tulsa rates were slightly lower ($4.02) and in New York City the rate was an even $4.

Some other average rates: Atlanta, $3.25; Chicago, $3.78; Cincinnati, $3.35; Cleveland, $3.33; Houston, $3.62; Los Angeles, $3.49; Minneapolis, $3.27; San Francisco, $3.90; and Washington, $3.69.

—Thomas Kenny in *Dun's Review & Modern Industry* 11/57

The Problem of the DEAD END EXECUTIVE

Condensed from
The Wall Street Journal

DURING THE PAST YEAR, these apparently unrelated executive appointments were made in various parts of the U.S.:

- A Connecticut manufacturing company transferred its aging treasurer to the newly created job of "fiscal secretary."
- A branch manager of a midwest-based chemical company was assigned to write a company history.
- The vice president of a West Coast manufacturer was made "vice president, trade relations."
- A veteran official of a big transportation company was placed in charge of "rules and methods."

One element was common to all four of these appointments: The executives were shifted to newly created jobs carrying little or no responsibility. The reason: Their superiors felt they had outlived their usefulness to the company, because of advancing age, ill health, or plain incompetence. But since they had been in the company for many years they were kept on at innocuous jobs.

The creation of new and often artificial posts is just one way of dealing with men who have hit a corporate dead end. Companies can fire them, retire them prematurely, demote them, or force them to quit by slashing their pay.

The problem of the dead-ender causes much soul-searching in upper corporate echelons. Some top executives believe that a corporation can't afford to "have a heart" in such situations. "We've got no room for anyone on any level who can't carry his own weight—we just fire them," snaps the vice president of a southwest manufacturing concern.

However, few of the companies interviewed by *Wall Street Journal* reporters have a set policy for dealing with dead-enders. "Every case is handled as it comes up," says a Portland, Ore., bank personnel manager. The usual policy for most companies is to retain a man—par-

The Wall Street Journal (January 21, 1958), © 1958 by Dow Jones & Company, Inc.

ticularly an older man—as long as possible, and only fire him when absolutely necessary.

"Even if we have to bend the organizational chart a bit, we try to retain a man," says the president of a Connecticut manufacturing company. "It's a matter of corporate conscience—to use a pompous phrase."

This company, for example, had a veteran treasurer who, at 60, was slowing down badly. "Progress was passing him by," says the president, "but we had to do something for him because he was a fine man and didn't have much of a pension." He was given the newly created position of "fiscal secretary." Explains the president: "There's not much to it—mostly riding herd on some short-term investments. But, though the pay is somewhat lower, it gives the guy enough to do to maintain his self-respect."

At times, of course, such a move fails to preserve the employee's self-respect. Take the Midwest chemical company's branch manager who was assigned the task of writing a company history. He tried his hand at the job, but soon got discouraged and went with a government agency at a big cut in pay.

In some instances, however, manufacturing a job can prove fruitful for the company. "We think we can find a useful job for any person with 25 or 30 years experience," says John M. Otter, executive vice president of merchandising for Philco Corp. Mr. Otter tells of a Philco executive whose frail health always seemed to take him out of circulation at a time when his presence was most needed. So Philco made him a "good will ambassador" for a special type of account. "He's been doing this for several years now and we've noticed a tremendous increase in these accounts because of the good will," says Mr. Otter. Needless to say, however, the man took a pay cut.

Several factors have helped top executives in the difficult task of finding the right niche for a dead-ender. Mergers, for example, provide many avenues for dead-ending. Says a Portland company executive whose firm recently was involved in a merger: "We put a lot of our unproductive men on special assignments, such as studies of our properties."

Most top officials try to convince employees that their downgrading really is in their best interests. Says Harvey Johnson, executive vice president of the Missouri Pacific Railway: "The best way is to call the man in and tell him exactly what you think, and soon he will agree with you."

Many top executives, of course, oppose such frank confrontations—and reject the idea that it is best to be blunt with faltering personnel. Says a top personnel official of a midwest concern: "We bend over backwards to hide the fact that a man is drifting toward a dead-end job." The reason: Once a man finds he's losing his usefulness, he gets disgruntled and becomes completely useless to the firm. "We tell him his health is something he should look out for—and that it's time to start taking life easier," says this personnel man. ♦

The advertising department can get valuable ideas and assistance from the company's salesmen, if they work together as a team . . .

Advertising and Sales— Do They Pull Together?

Condensed from Printers' Ink

COMPANIES that pour hundreds of millions of dollars into advertising and sales promotions know they often miss an important target: their own salesmen.

To find out if anything is being done about this problem, *Printers' Ink* asked 175 top consumer and industrial advertising and sales executives how they worked with their salesmen.

The majority of the executives believe that having advertising and sales in the same department is more economical and helps them coordinate all sales efforts. Yet in actual practice, less than one out of four combine advertising and sales in one department. About half of the advertisers have gone as far as making one man responsible for integrating advertising and sales. Even in these cases, however, the man responsible usually has too many other jobs to do.

In more than half of the companies, the company sales manager does give his advice to the advertising manager on advertising campaigns. But he doesn't participate much in other decisions. Only one out of four sales managers has any say in selecting media for his company's advertising. And only one out of three sales managers helps select a new advertising agency.

How do advertising managers help the salesmen make the best use of company advertising? A big majority of advertisers start by explaining the purposes of their advertising campaigns to new salesmen entering their training period. Once their salesmen go into the field to begin actual work, companies use a variety of ways to let their salesmen know about their advertising programs. Most companies send along advance proofs of ads that will be appearing in consumer and business media. These proofs help the salesmen look for more merchandising opportunities along their routes, and get them excited about what their companies are doing to open doors for them.

Companies also use regular bulletins to salesmen to brief them about coming ad programs. Where it is

Printers' Ink (December 20, 1957), © 1957 by Printers' Ink Publishing Company, Inc.

possible, companies will use sales meetings as an opportunity to talk about what advertising programs are being planned and what they can do for the salesman.

Direct mail is also used, though less often. Special letters to the salesmen explain the company's advertising campaign and outline the results that are expected. Some companies make sure that their salesmen get advance schedules of where ads will be placed. A few industrial advertisers even send their salesmen rough drafts of proposed ads so there will be no waiting for advance proofs. Several ad managers use the company house organs to brief salesmen.

Ad managers often face local problems in their cooperative advertising programs. Many find that it's easier to cope with such problems if they train their salesmen in advertising fundamentals and keep them informed once they are out in the field. Most advertisers who carry on cooperative campaigns ask their salesmen to handle problems that arise in their territories.

Most of the consumer companies ask their salesmen to make regular reports—either to the sales manager or the advertising manager—on how effective company advertising is in their territories. In contrast, only about one out of ten industrial companies in the survey asks its salesmen to report such information from the field. And only a quarter of all the companies in the survey ever ask their salesmen about customers' reactions to *competing* advertising.

Less than half of the whole group said that their salesmen used company advertising themes in their sales presentations. In two out of three consumer companies, however, salesmen make it a point to get the advertising message into their sales presentations. Among companies selling to both consumers and to industrial accounts, three out of four use this sales technique.

Fewer than half of the companies in the survey reported that they turn to their salesmen for ideas on writing selling ads. One industrial ad manager said, "We don't get ideas from the salesmen, but some ideas do come out of the sales department. We rely to a large extent on the sales points outlined by the product sales manager." Producers of consumer goods are more likely to ask salesmen for ad ideas, but even then it is on an irregular basis.

Advertising executives in a majority of companies go into the field to work with the salesmen so they can get at first hand some of the information they need to formulate advertising strategy. Industrial companies tend to do this more than consumer companies. One industrial ad manager reported that his company does an "unusual amount of it." On the other hand, several say they have time to get out into the field only once in a while—and never for long enough. ♦

THE MOST DIFFICULT PART of getting to the top of the ladder is getting through the crowd at the bottom.

—Arch Ward

Collective Bargaining: Industry Battens the Hatches

By Robert Newcomb and Marg Sammons

Condensed from Industrial Marketing

MANAGEMENT IS GOING into the 1958 collective bargaining ring with a new jut to its jaw. There is good evidence that union demands for higher wages, a shorter work week, and increased benefits will be firmly rejected by many companies.

For the first time in some years, management can point to declining profits, and employees are becoming increasingly aware of plant shutdowns, layoffs, and general budget tightening. Some thoughtful employees may already realize that industry, caught between rising costs and lowered income, cannot afford boosts in wages and benefits. Recently, in what was almost an act of heresy, the president of the AFL-CIO building trades union proposed a pay freeze as an answer to inflation. He was promptly hooted down by his fellow union leaders, but the fact remains that at least one union official has noted the handwriting on the wall.

Management already is talking tougher, in speeches to employee groups and through communications devices like employee magazines and newsletters. For years, presidents' messages in employee magazines have been studies in abstraction. They have been about safety in the home; the merits of the free enterprise system in broad, general terms; the values of keeping healthy; and how to prevent forest fires. That's all beginning to change.

For example, when Armco Steel's director of personnel relations, R. G. Adair, discussed fringe benefits in a recent issue of the employee paper, he avoided the usual abstract approach. Instead, he talked in terms of dollars and cents. Joseph M. Hughes, assistant vice president of Indiana Bell Telephone Co., recently used the house organ for a comprehensive discussion of the collective bargaining process—what it is, how it operates, and what it can accom-

Industrial Marketing (January, 1958), © 1958 by Advertising Publications Inc.

plish if both sides approach it intelligently.

Other executives are also doing a job in the union-management arena. Some are hammering away at an understanding of simple economics. Armour & Co.'s *Armour Magazine* recently spelled out the story of profits. In the same month, F. O. Prior, president of Standard Oil Co. (Indiana), took two pages in his company's employee journal to discuss competition, earnings, and profits in down-to-earth terms. Robert C. Hendon, operations vice president of Railway Express Agency, recently discussed his company's problems with great frankness, and suggested how employees could help to lick them.

Management is beginning to realize that, even though its negotiators may be well-equipped for bargaining, they may lose out because the uninformed rank-and-file can be so easily persuaded to reject any company offer. Prebargaining conditioning by management has been either nonexistent or ineffective in most companies. The company house organ, for example, seems an obvious channel for communicating labor relations information to employees. Yet a recent survey indicates that fewer than half of U.S. companies have ever used their house organs for that purpose.

Meanwhile, the unions are steadily accelerating their efforts to condition their memberships for the collective bargaining bouts ahead. The AFL-CIO has recently brought out a commercially produced color film that neatly puts the responsibility for skyrocketing prices right in management's lap. According to the film, wages have trailed the increase in productivity during the past ten years, and this means that the cost of each product has been reduced.

On another front, the steelworkers' union has engaged time on television stations in 23 key cities in order to "enlighten our own people —to let them know what the union is doing for them, and to let anyone who wants to watch 'look over our shoulder.'"

It is obvious that, as the country's economy swings into a big bargaining year, management has its work cut out for it. ♦

Safety Is an Attitude

A RECENT STUDY of 769 male employees from 54 industrial companies supports the widely held belief that an employee's accident record is a direct reflection of his attitude toward safety. Moreover, a complementary study of 481 supervisors shows that a supervisor's attitude toward safety has a direct bearing on his employees' safety records.

Dr. Earle Hannaford, who conducted the studies at New York University's Center for Safety Education, concludes that money and effort spent in developing and maintaining good safety attitudes are amply justified, and that the use of safety records as a measure of supervisory performance is soundly based.

—Lester R. Bittel in *Factory Management and Maintenance* 12/57

Tips on Using MERCHANDISE INCENTIVES FOR SALESMEN

Condensed from Management Methods

IN THIS ERA OF HIGH TAXES, cash income may not be the most effective incentive a company can offer its salesmen for increasing their efforts. The answer to the problem in many instances can be a merchandise incentive plan. A company has the choice of setting up such a program itself or enlisting the services of one of the professional organizations that specializes in this kind of work.

There are a number of advantages to be gained from using an outside agency. It will set up point values, prepare and distribute promotional material for your sales staff and their families, organize meeting schedules, and take care of the myriad necessary details connected with handling a successful incentive program.

Generally, such outfits offer two approaches: a stock campaign or a tailor-made campaign. Their services include a host of details that many firms might find difficult to handle themselves. They purchase and handle the merchandise, offering up to 2,000 items in their catalogs. They build campaigns around a theme, and furnish creative talent and artwork. They provide catalogs, brochures, mailers, games for children, and assorted "appetite-whetters" at intervals throughout the campaign—all as part of a flat-rate job fee. In addition, most of them handle shipping and mailing of merchandise, exchange of unwanted or unsatisfactory items, and other details that can mean headaches for a company.

In addition to relieving your own company's executives of the time and energy burdens involved, such agencies often are able to put on a campaign more economically than your company could do by itself. They have already available many stock campaigns, each built around a theme, from which to choose. Printed matter, prepared in vast quantities for use by many firms, is thus available at lower cost than if bought by an individual firm. An imprint of your firm name on all campaign material makes it appear to be exclusively yours. Companies can also save on merchandise prizes, since they are purchased in large quantities by the incentive agencies.

Although merchandise is the most

Management Methods (November, 1957), © 1957 by Management Magazines, Inc.

popular type of incentive, there are others that can be effective. "Honor" awards, such as a scroll or a plaque, can produce results in some cases. All-expense vacations and other travel awards rank next to merchandise as stimulators of extra effort. Such awards are often expensive, but even smaller firms make use of them. For example, Empire Crafts Corp. of Newark, N. J., awarded a two-week vacation in a castle in Spain as one of the top prizes in a campaign.

In fact, Empire's whole campaign was built around a Spanish theme. Such a theme is all-important to any sales incentive contest. It dresses up your campaign and keeps it from becoming a dull, negative affair.

If you do set up your own incentive campaign, decide first of all on an objective. Do you want your campaign to increase sales volume, get more orders or more calls, secure prospects, move slow stocks, reactivate customers, or introduce a new product? When the objective has been established, determine how points are to be awarded. Are they to be given on over-all volume or will there be higher point rewards for sales over the quota? Are points to be given for all orders, or only for orders over a minimum? Are points to be awarded on the basis of prospects lists, calls made, etc.? Will there be bonus prize points for getting back a former account? The "ground rules," as in any contest, must be decided upon before starting.

Most companies set the value of points at about half a cent each. On this basis, the point scale usually falls within the following ranges: (1) no less than 2 and no more than 10 points for each dollar of sales; (2) for each dollar of sales over quota, no less than 6 and no more than 20 points; (3) for each former customer brought back, 400 points minimum and 5,000 points maximum; and (4) for each new customer, a minimum of 200 points and a maximum of 5,000.

For best results, an incentive awards campaign must be confined to a specific period of time, and all participants should be made well aware of the time limit before the contest gets under way. Otherwise the impact of the campaign will simply dribble away. ♦

1957—A Busy Year for Bonds

A SHARP INCREASE in bond offerings helped to score a record $9,059,000,000 in public offerings of new corporate and foreign securities in 1957, fully 26 per cent more than the $7,198,804,320 registered in 1956—the previous record year. All but a fraction of the offerings were for the accounts of domestic corporations.

Bonds offered to the public last year totaled $6,538,081,000, compared with $4,354,742,000 in 1956. Preferred stock flotations dropped from $587,724,000 to $355,025,000, and common stock financings totaled $2,166,273,000, slightly less than the $2,256,337,000 in 1956.

—*The New York Herald Tribune* 1/2/58

Meeting long-range objectives may require revising management development programs and reshaping the company's basic organizational pattern . . .

SETTING GOALS FOR LONG-RANGE GROWTH

By William E. Hill

Condensed from YPO Enterprise

THERE IS LITTLE DOUBT in the minds of most forward-looking executives that long-range planning can resolve many of the major problems of corporate growth. It is not the desirability of long-range planning but its actual development that preoccupies many managers today.

Five important organizational developments point up the trend toward structuring the company and developing management talent to deal effectively with rapidly changing technological and marketing conditions:

1. Decentralization of responsibility and decision-making authority, to strengthen company operating units, provide greater efficiency, and give managers a stronger sense of responsibility.

2. Management development.

3. Market development programming. Traditional sales departments are being revamped to provide the organization necessary to direct long-range, consumer-focused operations.

4. Research management. Programming and organization of R&D activities require sound long-range planning.

5. Mechanization and automation. It is estimated that by 1966 U.S. consumers will want about 40 per cent more goods and services than they do now—and these must apparently be produced with only 14 per cent more workers. The answer is increased productivity by forward-looking investment in automation and other technological improvements.

The most important phase in developing a practical long-range program on which to base organization planning is the establishment of requirements for the future development of the company.

Quantitative objectives, in the form of feasible sales and profit goals for a period of five or ten years, can be developed with these basic steps:

1. Analyzing company performance and comparing it with par—e.g., the average of all manufacturing companies, competition, etc.

2. Establishing standards of profitability and growth, to bring company objectives up to par or to hold them above par.

3. Projecting sales and profits of

YPO Enterprise (October, 1957), © 1957 by Young Presidents Organization, Inc.

present products by sound market research and forecasting practices.

4. Evaluating the need for diversification. This means measuring the forecasts for the performance of present products against growth objectives.

5. Formulating the final quantitative objectives for future development—the projection of sales, profits, and capital requirements for present products and new products.

6. Evaluating the feasibility of the objectives by drawing up schedules for five- or ten-year periods, based on availability of capital resources.

There are also qualitative objectives in long-range planning that can provide direction to the company's further development:

1. The general concept of the company's future development, shaped by the fundamental business principles guiding the company and its relations with customers, stockholders, personnel, and local communities.

2. The growth of phases of the business that will provide balance and stability. This may include further ramification of present products and markets, but more important is the development of proprietary, noncapital goods and advanced technological products.

3. Development of corporate resources—abilities and skills, financial assets, management character, business experience, and company products.

4. Those planning and development practices that are necessary to actually implement the long-range program.

Once the requirements for future development are established, plans can be made for the programming of present and new products along the following lines:

1. Further penetration of present markets and addition of new markets for present products, with emphasis on fulfilling projected consumer needs through customer-focused product planning, merchandising, sales, and service.

2. Selection of new products to ramify present product lines, with emphasis on the return on investment to be derived.

3. Selection of diverse new product fields, through the screening and evaluation of all possible products that meet the requirements for future development and are supported by the basic growth trends in the economy.

The completion of these first two phases of the long-range program provides a firm foundation for shaping the organization pattern and the management development program. The following approach has proved effective in a number of progressive growth companies:

1. Analysis of the present organization structure and the existing distribution of responsibility and accountability.

2. Draft of a new organization structure for the long-range program and consideration of the need for decentralization to provide more effective operating responsibility in present and new product line divisions.

3. Preparation of job descriptions for existing and new operating and staff service positions.

4. Appraisal and evaluation of

existing management personnel to measure qualifications for present positions and for greater management responsibility under the long-range program.

5. Executive recruitment to fill positions for which existing personnel are not qualified.

6. Long-range management training schedules established in cooperation with management associations and business schools.

7. Revisions in compensation plans, particularly in the area of management incentives.

8. Appointment of a qualified individual to coordinate the management development program.

9. Clarification of channels of communication.

10. Provisions for periodic reviews and further development of the organization plan as the long-range program evolves. ♦

Benefit Rates in 290 Pension Plans

HIGHER PAID WORKERS get a better break on pensions if they are working in a company which has a nonbargained pension plan, according to a study of 290 pension programs in New York made recently by the State Labor Department.

The lag in benefits to high-paid employees covered by bargained pension plans is largely due to the fact that many unions seek level benefits or flat rates of payment after retirement. Under these terms, the man who earned $6,000 a year draws the same monthly pension as one who earned $3,000 a year. In contrast, many nonbargained plans relate pension size to earnings, so those who did best in later years of employment because of merit increases or inflationary gains automatically get a larger payment.

About half of the multiemployer bargained plans in the study use the flat-rate system of computing benefits. In the remaining half of the multiemployer plans, 40 per cent of collectively bargained single-employer plans, and 10 per cent of nonbargained plans, length of service is the sole method of determining size of the pension payment. On the other hand, in over 90 per cent of nonbargained plans, and about 56 per cent of the bargained single-employer plans, the amount of the pension reflected both years of credited service and the employee's level of earnings.

Most of the plans achieved through collective bargaining are financed entirely by the employer; only 11 per cent require employee contributions. In contrast, fully 50 per cent of the nonbargained plans are contributory.

—Ben Weberman in *The Journal of Commerce* 12/8/57

BRIEF SUMMARIES
of other timely articles

GENERAL

WHAT HISTORY TEACHES ABOUT BOOM-AND-BUST CYCLES. *Business Week* (330 West 42 Street, New York 36, N.Y.), January 11, 1958. 50 cents. Economists have charted the economic history of the United States of the past 100 years in 24 cycles, and by examining these, the author speculates on the length, severity, and "bounce" of Cycle No. 25, into which we are now moving. Despite the wide variations in business expansions and contractions of the past, he feels that it is possible to make certain safe predictions for the future if one allows a margin for such unpredictable factors as the result of overoptimism on the part of businessmen and consumers.

THE MORE "PERSONAL" RESPONSIBILITIES OF THE TOP EXECUTIVE. By George W. Peak. *Advanced Management* (74 Fifth Avenue, New York 11, N.Y.), December, 1957. $1.00. The responsibilities of a top executive do not stop at the level of policy-making, organizing, and providing management for the business functions—they extend far more deeply into his personal life, the author feels. In this article, he lists and discusses four personal responsibilities that he believes the top executive must live up to if he is to obtain the deep satisfaction that his position offers: the responsibility for example-setting, for self-development, for time utilization, and for "being mortal."

BE READY IF UNCLE SAM CANCELS. By Lt. Joseph R. Scott, U.S.A.R. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), January, 1958. 50 cents. In this case-history article, the author warns businessmen who have won government contracts of what might happen if the contract were suddenly terminated for reasons of "convenience." Since most businessmen are unprepared to deal with the red tape that is required before they can be paid for completed work on a terminated contract, he warns management to keep a detailed record of costs incurred for labor, materials, and equipment, and to substantiate all these costs by documents and records that can withstand audit by a government agency.

DO OUR MILITARY LEADERS MAKE GOOD EXECUTIVES IN INDUSTRY? By Sol Fox. *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), December 6, 1957. 25 cents. Pointing out that the armed services will discharge 200,000 men, including approximately 20,000 officers, by June of this year, the author reviews the records that former military leaders have made in the business world. Citing the cases of Lucius Clay, Omar Bradley, Jimmy Doolittle, and some lesser-known men, he discusses several popularly held misconceptions about military men in business, concluding that management might do well to take risks with ex-officers on the chance of turning "military brass into business gold."

INDUSTRIAL RELATIONS

WHAT DO COMPANIES LOOK FOR IN THEIR EXECUTIVES? By Joseph A. Litterer. *Personnel Administration* (5506 Connecticut Avenue, N.W., Washington 15, D.C.), November-December, 1957. $1.00. There is no simple list of specific characteristics that make a good executive, the author says, but it is possible to get a good idea of the qualities that top operating managers themselves feel are important by studying the traits that are analyzed in executive appraisal programs actually being used in industry today. This report on the appraisal forms of 47 companies groups the 457 trait titles listed into twelve general areas that cover the broad range of qualities that companies look for in their executives.

HOW TO MAKE SUGGESTIONS BOOM. By R. G. Lesser. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), February, 1958. $1.00. To keep its suggestion program going in high gear, General Electric Co. puts on constant, varied promotional campaigns that spur employee interest and participation, the author reports. After describing how GE pinpoints the needs for specific types of promotion, he gives concrete examples of how the GE program stimulates continuous interest, supports related campaigns in the plant, helps employees develop ideas, advances community relations, and gives widespread publicity to suggestion-plan results.

AUTOMATION PERSONNEL SHORTAGES. By Clarence B. Hillberry. *Personnel Administration* (5506 Connecticut Avenue, N.W., Washington 15, D.C.), November-December, 1957. $1.00. The automatic computer has revolutionized modern technology, the author says, and it is estimated that the need for personnel trained to operate these complex machines is doubling each year. In this article, he describes the operation of one cooperative effort to meet this need: the Wayne State University Computation Laboratory, in which 20 businesses and industrial concerns have participated with the university to establish a program to train computer personnel, and, at the same time, to provide a computer service at reasonable fees to industry and the university.

OFFICE

HOW TO SCHEDULE WORK LOADS FOR A "FLOATING FORCE." By Ralph Fairbanks and Jerome Hoffman. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), February, 1958. 45 cents. Under traditional office-management methods, clerical costs are relatively inelastic, observe the authors, because the size of the office staff remains static regardless of short-term changes in the amount of work to be done. They suggest that greater flexibility can be achieved through batching—using temporary help to perform simple tasks—and describe the important processes of estimating and scheduling future work volume and applying accurate work standards so that the office can keep its cost at almost an exact ratio to company income and still meet all its work commitments without overload.

IS AUTOMATION FOR YOU? By Neal J. Dean. *Office Executive* (1927 Old York Road, Willow Grove, Penna.), January, 1958. 50 cents. Pointing out that no company should buy electronic data processing equipment before thoroughly assessing the operational and economic advantages and disadvantages, the author describes the important steps

in making an accurate feasibility study and selecting the most efficient and economical type of equipment. He puts particular emphasis on a "unit-run" method which enables management to compare different computers without having to design a different data processing system for each one.

PURCHASING ENTERS THE COMPUTER AGE. By F. C. Walters. *Purchasing* (205 East 42 Street, New York 17, N.Y.), January 6, 1958. 75 cents. The day of the completely automated purchasing cycle is here, reports the author, citing as proof the system used at Esso Standard Oil Co. (Baton Rouge, La.), which utilizes a high-speed computer to control inventory, reorder, follow up, and check and pay invoices on 30,000 stock items. He describes in detail how the system works and points out that in addition to handling the paper work routine it provides important data that help in value analysis, appraisal performance, reports to management, and studies of stock obsolescence.

PRODUCTION

LATEST WORD IN PROFITABILITY. By B. A. Margo. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), January, 1958. Reprints 35 cents. Maintaining that inflation and our fast-changing technology make fixed depreciation rates an inadequate tool for evaluating the profitability of an investment in new equipment, the author describes a "replaciation" method which he recommends as a more accurate guide to better decisions on machine replacement. The method —which depends on the assumption that life expectancy of the asset and the general level of prices at time of replacement can both be predicted— can be a useful tool in evaluating maintenance performance on existing equipment, he believes.

HOW TO PLAN FOR LOWER COSTS. *The Iron Age* (Chestnut & 56th Sts., Philadelphia 39, Pa.), December 12, 1957. Reprints gratis. Based on a survey of over 100 metalworking firms, this article explores the areas in which cost-cutting is feasible and brings the best results. The authors use case-histories of company programs to emphasize that, in times of intense competition, a good cost-control system may mean the difference between profit and loss for a company.

HOW TO CUT TRAFFIC COSTS. By Walter K. Cabot. *Purchasing* (205 East 42 Street, New York 17, N.Y.), January 6, 1958. 75 cents. Before entering into a contract with a supplier, a purchasing department must thoroughly analyze the many different factors that will affect the transportation cost of its purchase, says the author. Pointing out that freight rates are only one of the variables involved, he discusses ways in which transportation costs can be cut through careful attention to such factors as shipping quantities, packaging and loading, transit time, delivery protection, and terms of sale.

31 NUMERICALLY CONTROLLED POINT-TO-POINT POSITIONING SYSTEMS. By John D. Cooney and Byron K. Ledgerwood. *Control Engineering* (330 West 42 Street, New York 36, N.Y.), January, February, and March, 1958. Reprints, $1.45—available in March. This three-part report is the first comprehensive description of all known domestic and foreign numerically controlled point-to-point systems for machine tool use. The data given for each system include cost, equipment furnished, accuracy, table travel, positioning speed, etc., as well as detailed descriptions of internal system operation.

MARKETING

DEMAND IMAGE—THE VITAL FORCE IN SUCCESSFUL MARKETING TODAY. By Remus A. Harris. *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), January 10, 1958. 25 cents. To achieve a strong market position, a product needs more than a brand image, maintains the author, suggesting that what is needed is a *demand* image: the composite impression of an individual brand's superiority in fulfilling total consumer needs and desires, known and expressed as well as unarticulated. He illustrates demand image in terms of specific products, and outlines the steps by which a company can create a demand image for its own product.

THE CUSTOMERS ARE DOWNCAST. *Business Week* (330 West 42 Street, New York 36, N.Y.), January 25, 1958. 50 cents. The latest survey on consumer finances released by the University of Michigan's Survey Research Center, this article reports, shows a sharp drop in consumer optimism since June, 1957—the sharpest since the Survey Research Center started compiling its composite measure of consumer attitudes. While the survey points up that consumers are balking at prices and are not, by and large, planning to buy big household items or automobiles, the author is somewhat encouraged by the fact that optimists still outnumber pessimists over the long run, that most unfavorable viewpoints did not arise from people's own experience, and that the Index of Consumer Confidence still remains slightly higher than it was five years ago in the fall of 1953.

YOU CAN'T ESCAPE MR. *Advertising Agency* (48 West 38 Street, New York 18, N.Y.), January 3, 1958. 50 cents. Despite its overblown terminology and the many attacks against it, motivation research is a sound marketing technique which is being used for more and more accounts by more and more leading advertising agencies, says this article. It describes the extent to which various agencies use MR, reports on what they think its role should be in campaign planning, and gives some specific examples of how the technique is used.

11 KEYS TO BETTER AGENCY-CLIENT RELATIONS. By Clarence E. Eldridge. *Tide* (386 Fourth Avenue, New York 16, N.Y.), January 10, 1958. Reprints 25 cents. Among the most significant aspects of the widely discussed Frey Report is the fact that both advertisers and advertising agencies report a surprising amount of dissatisfaction with their relationships with each other. In this article, the author points out some common causes of this agency-client friction and suggest eleven basic principles on which a compatible and mutually beneficial relationship can be established between the agencies and the advertisers they serve.

FINANCIAL

PLANNED FACILITIES WITH BUILT-IN PROFITS. By W. C. Allen and T. Daly. *American Machinist* (330 West 42 Street, New York 36, N.Y.), December 16, 1957. Reprints 25 cents. Is there an orderly method of determining capital-investment requirements and opportunities? Westinghouse Corp. thinks it has developed such a procedure, and the authors describe it in detail from

the initial formulation of long-term sales and profit objectives to final approval of specific appropriation requests. In working out its capital-investment program, they report, the company depends on two fundamental rules: (1) expenditures for facilities must be dealt with on a project basis; (2) every project must be classified according to its purpose, with the four categories being expansion projects, product-improvement projects, cost-reduction projects, and necessity projects.

FINANCIAL MANAGEMENT FOR AN ELECTRONIC AGE. By Wilson T. Seney. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), February, 1958. 75 cents. In the age of electronic data processing, linear programming, and similar techniques, will the financial executive of today, with his specialized skills, still have a function, or will he become obsolete? The author maintains that the financial executive brings a sense of proportion and managerial ability to his functions of planning for company monetary needs, obtaining and safeguarding funds, and handling relationships with creditors, debtors, and investors that no machine will be able to replace.

ACCOUNTING IN TRANSITION. By William W. Werntz. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N.Y.), February, 1958. 85 cents. The principal points in the latest statement of accounting and reporting standards of the American Accounting Association are outlined in this article by the chairman of the American Institute's committee on accounting procedure, who comments on the features of the statement most significant to practicing accountants. Though the author admits that the 1957 statement does not in every respect reflect current generally accepted practice, he believes it to be an important contribution to accounting thought.

FOREIGN OPERATIONS

OVERSEAS TRADE FAIRS BOOM FOREIGN SALES. By Alexander O. Stanley. *Dun' Review and Modern Industry* (99 Church Street, New York 8, N.Y.), February, 1958. 75 cents. Though U.S. participation in European trade fairs began as a good-will promotion gesture, the author cites examples of many companies who have found out that dollars invested in these exhibits can bring in healthy sales dividends. The advantages to be gained from these fairs, he maintains, are twofold: (1) they provide for many citizens their first glimpse of the multiplicity of goods produced in the U.S.; and (2) they pay off in contacts and contracts by exposing local businessmen and industrialists in foreign lands to our new products.

LATIN AMERICA: THE PAINS OF GROWTH. By Carl Rieser. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), February, 1958. $1.25. With the United States and the U.S.S.R. competing with each other to gain a foothold in Latin America, which increased its industrial production 175 per cent in the decade ending in 1955, this country must reassess its policies toward its neighbors to the south, the author feels. Since industrial growth in this area has brought with it all the usual attendant problems, American aid would be welcome, but the author would remind investors to take into consideration Latin American nationalism and resentment of such policies as tariffs on raw materials and dumping of farm surpluses.

The Measure of a Manager

(*Continued from page 8*)

of the individual and of incidents that occurred during the past year.

At your left hand you have all you could accumulate about the results of his year's work—the profit of his unit (if he is a profit center head), the progress, or lack of it, using such indices as cost of conversion, capacity use of equipment, cost of purchasing, damage claims, labor grievances, or whatever, depending on the manager's area of responsibility. Now the problem becomes one of looking at his plans and the results through our definition of management.

Plans and Policies

Suppose the results show the profit is up. What had he said in his plans as to profit and, broadly, how he was going to do it? Is that the way he made the profit? If he didn't make it by his original plans, is this good or bad? If he jumped from one plan or objective to another, it could mean he doesn't know where he is going, but it could also mean he is one of those priceless individuals who has the imagination and flexibility to leave one plan for a better one when opportunity strikes. You have to decide this. Suppose he had made no plan at all, but his results seem good. This could mean that he doesn't have the imagination or the energy to have made one. It could also mean that he is so good in many things that he was able to operate well flying by the seat of his pants. But, if this is so, shouldn't he know that a company, these days especially, has to have assurances that a manager can plot a course before he can be placed in the top spot?

Suppose the manager had good plans and stuck to them, but results seem bad. Assuming you are his boss, is any part of this due to your not providing him with something important that he couldn't provide for himself? Did he get the funds he was promised for new product development, for new facilities, or for new employees? Did the company give him a "bum steer" on the general economic outlook for the year? Were cost increases beyond his control? You must decide this.

Ability to Organize

Once you have satisfied yourself on these aspects of the appraisal, you begin to look at how he is organized. Is he organized by his own careful calculation, or is his organization more a matter of what personality and circumstance brought about? Can he explain in simple, easy-to-understand terms what each major department, division, and person does—where their work starts and stops relative to others? Do his people understand clearly how the whole organization works? Are the divisions of work natural? Are the lines of communication as simple as possible?

Here, again, judgment has to operate—your judgment. It is possible that a manager could be deficient in all these points and still have pretty good results. But an examination might show that, even though performance seems very good, undeniable improvements would result from better organization. Even further, the organization might be working well largely because people have been there a long time, know each other and all the department's history, and work so well together that their "informal" organization compensates for the lack of good, formal organization. However, shouldn't this manager know that, from the company's viewpoint, this is a risk he should not ask them to take for long? Inevitably, the old hands will leave, and their successful, informal associations can never be duplicated, even if it were desirable.

Implementation and Integration

The next step is to look at how the manager has implemented his objectives, plans, and organization structure. Regardless of the excellence, or lack of it, in his statistical performance, your judgment here is important in determining whether his performance was adequate. Are his people stimulated with a feeling of purpose? Was his efficient performance due, in good part, to his inspiring leadership, or did a group of good, loyal workers under him achieve the record in spite of his poor leadership? Here, you look at his leadership and its effect: How well are his people led, and what are the results? If he measures up in this analysis, you don't give a hoot whether he is extroverted or introverted, dominant or submissive, fluent or inarticulate.

Measuring the Results

Finally, you look at how he measures the important elements of his function. Are his measuring systems such that when profit, sales, employee turnover, or cost of production are up or down, he knows why? More basic than this, are his standards of performance on men and machines so objectively drawn that he actually knows what is "up" and what is "down"?

Regardless of how good the accomplishments of a line or staff man may look in statistical form, shouldn't he know that the company must retain some reservation about him until he can show by the excellence of his measurement and control systems that he knows precisely where and why things occurred as they did? Shouldn't he also know the amount of influence each occurrence contributed to the over-all statistical results? General results may look good on the surface, but one factor, which may not even exist tomorrow, may be exerting 90 per cent of the influence on this particular situation. It could well be hiding other serious deficiencies, like low production efficiency or high traffic costs. You must investigate this and take it into consideration when making your evaluation.

Decisions—Made and Unmade

Finally, take a look at his decision-making ability. One of the best methods is to go through the history of some of the major decisions he has made, then list the decisions that have not yet been made. The latter category is just as important as the first. An examination of postponed decisions may show that not deciding at this time on a particular issue may represent great wisdom. But it could also indicate procrastination, perhaps for the purpose of avoiding some unpleasantness, or an inability to make up his mind. Again, in the final analysis, it is your judgment that must decide the quality of his decision-making history.

FACTS, FIGURES, AND JUDGMENT

The only real way to measure a manager is by judgment—on-the-spot judgment—your judgment. But you can channel your judgment by:

1. Getting every statistical measure of the results of his effort that you can.

2. Getting together all the other information you can about him, including general appraisals by other people.

3. Most important, interpreting and evaluating this information by placing it against your definition of good management. Only then can you really tell whether performance should be better. Only then can you truly say what "bad" performance is. Only then are measurement, appraisal, and development of the manager in true focus.

A recent trend in management appraisal—encouraging the manager to appraise himself and his work—can be especially constructive if the boss encourages self-appraisal against the broad standard of the boss's concept of the total management job.

A PERSONAL MANAGEMENT CODE

There is another standard against which a manager might want to measure himself—a standard so personal that few companies would feel they could require it officially. In a way, a manager can only set this standard for himself, and only he can really measure how well he is doing on this score.

This standard goes deeper than just good professional management practice and gets into personal philosophy. It includes a ready acceptance of the fact that the manager, because of his responsibility for others, must set a more strict standard of tolerance for his own emotions and mind than he expects from those he leads. Most successful managers, either consciously or unconsciously, have been guided by a code that might be stated like this:

"I must expect that others will exercise relatively restricted interest and views in situations where I can allow no bias of any kind to creep into my own decisions. I must be able to see, tolerate, and reconcile, without surprise or anger, friction and misunderstanding among others caused by normal human emotion and self-interest. Finally, I must strive to receive satisfaction from seeing others grow, giving them all the opportunity, guidance, constructive criticism, and praise I can, just as I would get satisfaction from receiving this kind of personal attention myself."

(This article is based on a presentation by Mr. Efferson before the recent AMA General Management Conference.)

Among Those Present

The typists are typing, the file clerks are filing,
The stenciler's frantically stenciling;
The bookkeeper's busy, the office boy's dizzy,
The panicky stenos are penciling.

The place is a beehive! For, up from his virus,
The boss, as you're certain to mark, is
Now back at the office—and brother, his cough is
Not nearly so bad as his bark is!

—Georgie Starbuck Galbraith

"I Didn't Raise My Boy to Be a Salesman"

(Continued from page 13)

planning on entering sales rate selling as more secure than the others do, but still below both engineering and finance and accounting careers. This unquestionably shows the influence of the recent nationwide publicity that has been given the shortage of scientists and engineers. It may also reflect in part the attitude created by industry a couple of decades ago, when sales help was considered a rather impermanent part of business organizations.

QUESTION 3.

As Definitely As You Can, List What to You Are the Essentials of Security in the Order of Their Importance to You.

Order	All Students	Sales Students	Non-Sales Students
1	Income	Income	Income
2	Job Security	Job Security	Job Security
3	Fringe Benefits*	Fringe Benefits*	Fringe Benefits*
4	Opportunities for Advancement	Opportunities for Advancement	Home
5	Home (House Paid for, Happy Home)	Home	Opportunities for Advancement

* *Fringe benefits is a phrase used to include several similar items such as insurance and pensions plans, hospitalization insurance, health insurance, profit-sharing, etc.*

QUESTION 4.

Rank the Following Occupations in the Order of the Security Which You Feel They Provide.

Order	All Students	Sales Students	Non-Sales Students
1	Engineering	Engineering	Engineering
2	Finance and Accounting	Finance and Accounting	Finance and Accounting
3	General Business Administration	Selling	General Business Administration
4	Manufacturing	General Business Administration	Manufacturing
5	Selling	Manufacturing	Selling
6	Others	Others	Others

PRODUCT OR SERVICE CHOICE

What the students think they want to sell (question 5) is tied up both with security and prestige. Industrial selling, where the

QUESTION 5.

Given Free Choice, What Kind of Product or Service Would You Prefer to Sell?

28%	Industrial (*heavy machinery, steel, etc.*)	4%	Hardware (*appliances, home furnishings*)
11%	Soft Goods (*clothing, textiles*)	3½%	Specialties (*gifts, toys, stationery*)
6%	Insurance	3½%	Food
4½%	Advertising	3%	Petroleum Products
4½%	Cars	3%	Intangibles—Services
		3½%	No Choice

individual transactions tend to be very large but not so frequent, was the first choice of 28 per cent. This field has generally been more stable than retail selling and also carries with it somewhat more status, which may explain its being picked by more future salesmen than the next four fields combined.

QUESTION 6.

(A) Have You Any Preferences as to the Size of the Company in Which You Hope to be Employed?

39%	Large	13%	Small Concern
14%	Medium-Sized	34%	No Preference

(B) Please Explain the Reasons for Your Answer.

(*Percentages add up to more than 100% since most students gave more than one reason for their choice.* NM = *no mentions.*)

Reasons	Large	Medium	Small
Opportunity for Advancement	51%	55%	43%
Security	25%	10%	3%
Reputation of Company and Product	22%	2%	1%
Company Benefits	8%	2%	NM
Good Training	8%	2%	2%
High Pay	7%	5%	2%
Diversity of Products and Work	4%	1%	NM
Travel	1%	NM	NM
Personal Recognition and Prestige	1%	18%	12%
Personal Contacts	1%	2%	8%
Not Lost in Shuffle	NM	12%	6%
Grow with Company	NM	3%	8%

Students as a whole today seem to be security-minded, and the preference of 39 per cent for large companies over medium or small ones underscores this conclusion. Three times as many students chose large concerns as did small, although the reasons given for picking companies were nearly the same regardless of size. Almost all mentioned the opportunities for advancement as a principal reason for their choice. Recruiters for sales jobs would certainly find their task easier if companies made a point of proving their good intentions toward salesmen in some tangible way so that security-minded youngsters would feel they were taking no special risk by following a sales career.

All the questions mentioned suggest that, if the misconceptions about selling were corrected, there might be many more candidates for sales jobs.

SALESMEN AS PEOPLE

The answers to questions 7 and 8 show that students as a whole are realistic about their relations with others. Most feel a sales job would not be a serious handicap to talking the right girl into marriage (although there is a significant difference of opinion here between those planning on sales careers and the others). One boy proudly said, "If I could not sell my wife on the field of selling, I would not be a good salesman." That only 7 per cent of the would-be salesmen felt their parents disapproved of their job choice suggests that they are able to sell their parents.

QUESTION 7.

Would You Consider It a Help or a Hazard, in Proposing to Your Future Wife, to Tell Her You Are a Salesman?

All Students	Sales Students	Non-Sales Students
68% Neither	65% Neither	69% Neither
19% Hazard	24% Help	23% Hazard
12% Help	10% Hazard	7% Help
1% No Opinion	1% No Opinion	1% No Opinion

QUESTION 8.

What Does Your Family Think of Your Selection of Selling As a Career?

71% Parental Approval	7% Disapproval	22% Neither

The influence of parents on the choice, however, is clearly seen in the large number of salesmen's sons who decide to enter the profession. Obviously, life as a salesman has been demonstrably satisfying to their fathers. It is interesting to note that this survey of students showed that 34 per cent were majoring in their father's field. Yet a similar check among medical students showed that only 13 per cent were the children of doctor fathers.

QUESTION 9.

Name Your Father's Occupation.

34½% of Sales Students Had Salesman-Fathers.
23½% of Non-Sales Students Had Salesman-Fathers.

Although these figures are not conclusive, they point up the conflict between the true position of selling and the prejudices held by the general public. If the critical opinions suggested in several answers were reflections of a true situation, relatively few sons would follow their father's footsteps into sales.

THE IMPORTANCE OF TECHNIQUES

The importance of sales techniques to all business is realized by most of the respondents, as their answers to question 10 prove. Two-thirds of those not planning on sales work still believe that some knowledge and specialized study in this field is valuable to get their ideas across and to get along in business. It is worth noting that only 1 per cent repeated the once widely held idea that a sales job was something to fall back on if a more desirable job fell through.

In sum, the differences in point of view between the sales-career students and the others are not so large. Neither group is fully

QUESTION 10.

If You Are Not Planning on a Sales Career but Are Nevertheless Taking Courses in Salesmanship or Marketing, Please State Why.

For General Background*	50%	Help in Special Field	13%
Required Course	36%	Because Selling Is a Job To Fall Back on	1%

* *General Background includes such similar answers as "always selling self and own ideas," interesting courses, to learn to deal with salesmen, and selling is an important part of any chosen field.*

aware of the customer-centered approach of the professional salesman and his major function of serving the people he does business with. As a whole, the students, including many who are about to become salesmen, still harbor old-fashioned prejudices about selling and salesmen. While there is slight evidence that those preparing for sales careers incline more to adventure than the others, both groups seem to seek security. While many expect great satisfactions—both material and psychological—from selling, few think of salesmen as a highly regarded social group.

It looks very much as if salesmen have been selling themselves short, and have a real job cut out for themselves to correct the situation. Perhaps one of the most significant results of the entire survey is the evidence that most students consider selling a steppingstone to something better rather than a lifetime career (see question 11). This is perhaps to be expected in America's success-conscious

QUESTION 11.

WHAT JOB IN BUSINESS DO YOU ULTIMATELY HOPE TO REACH?

62%	Management	2%	Salesman
18%	Top Executive	2%	Lawyer
15%	Own Their Own Business	3%	Undecided

society. The replies to this question do indicate that future salesmen are ambitious. They believe correctly that the sales department is frequently a route to the top. But that some salesmen make more money than a great many executives is apparently not realized.

ATTITUDES ON MONEY

On the questions concerning money, the answers in general indicated a good knowledge of the present business world.

Apparently the business schools as a whole have done a better job here than in informing their students about selling and sales careers. By and large, the answers to the question about desired starting pay coincided closely with the amounts offered currently in most large cities, with most replies falling in the $300 to $500 range. The median figure was $400. (The median figure for the minimum acceptable salary was $350.) Among the students there

were some geographic differences, suggesting, for example, that salesmen's income might not always follow the expected geographic pattern of variation. The few exceptionally pessimistic and optimistic replies might be the results of special circumstances.

Even in regard to future ten-year earnings, the answers are a surprisingly accurate reflection of the incomes of experienced sales persons. The median figure is $12,000. This is not by any means dreamy, coinciding almost precisely with a study of incomes made by *U.S. News and World Report.* The study, incidentally, showed that salesmen after ten years made more than engineers.

QUESTION 12.

AFTER 10 YEARS OF SELLING, HOW MUCH DO YOU EXPECT TO BE EARNING?

(This question was asked of students in four institutions only.)

29%	$10,000	20%	$15,000
9½%	$12,000	10½%	$20,000

85% of the answers fell in the range from $7,500 to $20,000. The lowest figure mentioned was $5,000 and the highest was $50,000.

MISSISSIPPI SOUTHERN: A SPECIAL CASE

Students enrolled at Mississippi Southern College—158 of them—were included in the survey. Their word-association answers to the first question were surprisingly different from the other student lists, coinciding more closely with the answers given by the small number of professional salesmen who were also asked this question. The words these students mentioned were:

money	work
travel	door-to-door
selling	fast talker
professional	people
product	aggressive
appearance	courtesy

friendliness

Although "fast talker" and "aggressive" (a word which can be taken several ways) appear, so do "professional," "product," "courtesy," and "friendliness." It would seem that at this particular college the business students have been exposed to a different philosophy of selling.

Why was there such a marked difference? There are several possible answers. At Mississippi Southern, sales and marketing are subjects which have as much status as the more traditional academic courses. The professors in these fields reflect the enthusiastic support they get from the heads of the business school itself.

A letter from a professor at Mississippi Southern goes a long way toward spelling out the success of this school in salesmanship.

"Basically, we believe in . . . the discussion method of teaching . . . We emphasize the use of salesmanship principles in daily living . . . We have all classes actually engage in selling something. We bring many outside salesmen and sales executives into contact with the students. . . .

"Our fraternity gave speeches to more than 100 high schools in the state on 'selling as a career.' The head of the speech department gave us liberally of his time. We held speech clinics . . . We held a sales conference on the campus. . . .

"We constantly stress the idea that money is merely the result of *service* to other people."

WHAT THE SURVEY SHOWED

The traditional portrait of a salesman as an irresponsible pitchman seems to be giving way slowly to the image of the salesman as a trained professional. Nevertheless, this survey confirms the belief that relatively few college students, even among those preparing for sales careers, have a realistic understanding of the nature of the selling job. Rather than considering selling as a career in itself, most students feel it is only a means to an end.

There might well be good potential salesmen among undergraduates now preparing for some other type of work—men who could make a profitable and satisfying career of selling if their misconceptions were corrected. And, on the other hand, some of the students now training to be salesmen may be laboring under serious misapprehensions regarding the nature of their chosen field. Clearly, a big selling job at the college level is needed to correct the misconceptions of both these groups.

There is a need for better communication and cooperation between industry and the colleges turning out future salesmen. That there is a desire for this on the part of the educators is proven by

their cooperation on this study. But industry and sales people must make a greater effort and take some financial responsibility.

On a broader scale, a substantial job of public relations is needed to correct some of the stereotyped concepts that prejudice the public in general against salesmen. Some of the student attitudes revealed in this survey do, of course, reflect real conditions. Whenever these damage the prestige of professional selling and hinder recruiting, it is essential that industry work to eliminate them. One major step would be the adoption of a code of sales ethics and the formulation of a plan for enforcing it.

The results of this survey are an indication of the magnitude of the job that will need to be done. It is not an easy task, but it seems clear that it must be undertaken if salesmen are to take their rightful place in the marketing picture and if industry is to attract enough talented sales personnel to insure our continuing and growing prosperity.

"After breakfast I bring him his mail and the wastebasket and his little rubber 'Go to Hell' stamp. It sort of tunes him up for the day."

—Reprinted by special permission of *The Saturday Evening Post.*
Copyright 1958 by the Curtis Publishing Co.

Overhead Cost Control

(*Continued from page 18*)

have to show a profit on his operations. This fact does more to inhibit hardheaded, objective thinking than any barrier he will ever be confronted with.

This lack of profit consciousness is not limited, by any means, to down-the-line supervisors or managers. It is just as likely to exist among higher-level executives heading up major functions of the business.

An example can be found in the experience of a company that some time ago launched a five-year "administrative improvement program" aimed at both cutting costs and sharpening performance in virtually all of the company's overhead activities. Recently the head of the company's administrative engineering staff met with his superior, the company president, to review the progress that had been made on the program. Although the two men agreed that some real accomplishments had been made, they both felt that on the whole they were a good bit behind schedule and that some parts of the program were dragging pretty badly. In trying to analyze the reasons for the generally unsatisfactory progress, the two turned their attentions to the sort of support that had been given to the whole program by key people in the organization.

In this connection, the staff head said to the president, "As I see it, there are sixteen executives in our company on whom the success of this program depends. They are the seven operating executives reporting directly to you and the nine major executives at the next lower level who report to some of the first seven. Now, in order to get a true picture of how much support our program is getting, let's try to rate each of these 16 men in two different ways—first, according to how interested he is in making improvements and, next, how interested he is in cashing in on them. That is, first, how interested is he in straightening out his plan of organization, in streamlining his procedures, in eliminating work, in adopting better methods and equipment? And then, how interested is he in cashing in on these improvements—that is, in converting statistical savings into realized savings?"

The two men then agreed that within each of these two cate-

gories they would rate each man as being either strongly interested, moderately interested, or very little interested. As a result of this process they found that, in all honesty, they could rate only two of the sixteen executives as being strongly interested both in making improvements and in cashing in on them. In the face of this realization, the president said: "I guess this means that I haven't done my part of the job. The real job I've got to do now is to see that the other fourteen get the same sort of 'religion' that the top two have got."

So much for top management. Now, how does lack of profit consciousness manifest itself at the front-line supervisory level? To answer this question, one needs only to recall his own natural tendency to concentrate on those parts of his job on which he is most frequently checked or judged. And because there are so few cost standards for measuring efficiency in the overhead activities under consideration, the people who supervise them are most frequently judged by the quality and speed of the service they render. It is not uncommon, therefore, to find overstaffing of a department to handle rush jobs or work peaks as promptly as possible without interrupting the regular routine. The supervisor usually cannot control these peaks and special demands, so that his natural inclination is to be prepared for every contingency. Thus, consciously or unconsciously, he will often resist any effort that might impair his flexibility for rendering this kind of service.

In addition, supervisors of such activities typically do not have a very highly developed sense of value-cost relationship. The more conscientious they are, the more they tend to be perfectionists and to regard as fundamental the activities for which they are responsible. As a result, they are usually shocked at the suggestion that what they are doing may not need to be quite as thorough or precise as they have tried to make it.

Lack of staff acceptance

Still another obstacle is the fact that improvement staffs are not so readily accepted among the managers of overhead activities as they are in the factory. Staff specialization in the manufacturing area has, of course, become a traditional, well-accepted thing. Over the years it has gradually relieved foremen of the respon-

sibility for planning facilities, developing production processes, and even, in many cases, determining the manpower complement. No such development, however, has taken place in the various overhead areas, with the result that the head of any such activity still considers himself primarily responsible for developing his own objectives, goals, methods and procedures—for deciding what will be done, how it will be done, and how many people he needs to do it. Thus he views any attempt to change these elements as an intrusion on his own domain, or, at least, as something of a reflection on his own managerial record.

Lack of a sound approach

The final obstacle to meaningful cost control in the overhead area is that most companies fail to approach the job in a positive, fundamental way.

Too often the sporadic cost-reduction drive is either superficial and fruitless, or arbitrary and harmful. In some instances, because of management's failure to face up squarely to a difficult job, the whole cost-cutting effort is focused on such peripheral items as the telephone bill, traveling expense, memberships and subscriptions, and company automobiles. In other instances, companies that have resorted to the "10 per cent cut across-the-board" have learned all too often that this sort of unskilled surgery cuts away two pounds of corporate muscle for every pound of fat removed. Moreover, there is a good bit of evidence that use of this technique induces even the leanest, best-managed departments to acquire a layer of protective fat.

The story is much the same among companies that have set up some sort of a staff unit to work continuously at improving overhead activities. Among such companies, the most common type of continuing staff effort is aimed at improving paperwork operations. Here, too, the results achieved are often circumscribed by narrow, specialized approaches. These include:

1. *The fire-fighting approach.* This usually amounts to little more than an expedient patching up of weak spots in the routines of the business.

2. *The forms-control and procedure-writing approaches.* These are extremely limited, in-the-back-door efforts to solve the broad

problem of administrative expense by hacking away at one of its minor segments.

3. *The mechanization approach.* This approach has its roots in two illusions that are all too common throughout American business: The first is that cost reduction in the office by and large means mechanization of the office. The second is that if a given operation *can* be done on machines, that must, *per se,* be the best way of doing it. Yet some of the highest-cost clerical operations exist in companies that are using the most modern office equipment in most of their operations. This does not mean, of course, that the costs in these offices are high because of mechanization. It simply means that the managements of these offices have fallen into the trap of assuming that mechanization means efficiency and by this process have overlooked the really big opportunities to reduce office costs.

All three of these approaches have two basic weaknesses; they do not make any provision for the two primary ways in which overhead costs can be reduced. First, there is no provision for a critical, businesslike re-evaluation of what work needs to be done (or "earns a profit"); and second, no one of the approaches provides for the use of objective work-measurement techniques to determine how many people are really needed to do the essential work.

WHAT TOP MANAGEMENT MUST DO

Because of these built-in obstacles, the success of any large-scale program of overhead cost control usually requires something more than the ordinary effort. The measures typically employed include the creation of some sort of a task force to tackle the job, issuance of a statement indicative of top-management support, and explanation of the need for the program to operating supervisors. Occasionally these steps are of real help. More often they do little more than generate passive cooperation or a kind of "wait and see" attitude. The real need, of course, is to convert that attitude into cooperation that is affirmative, enthusiastic, and creative.

There are two major things that top management must do (and that only top-management can do) to create this kind of an action-taking climate. These are:

1. Condition itself for major change.

2. Motivate front-line and middle management to achieve the desired savings goal.

Self-conditioning of top management

Much of the success of any sort of large-scale overhead cost-control program will depend upon the *understanding* of it and *attitudes* toward it that top management itself has—because these will, in time, be reflected by down-the-line personnel. Here are some of the top-management understandings and attitudes essential to success.

First is the resolve among the entire top-management team that this effort will not be just another "scrub up" of its overhead activities, but rather that the company is going after some very sizable overhead savings.

Second is the realization that these savings cannot be obtained easily. They take a long time and a great deal of patient digging and hard work. And the biggest gains cannot be achieved cheaply. They require a real willingness to give things up, to take some calculated business risks, to accept something less than perfection, and to make some courageous, difficult decisions affecting status symbols and traditional practices.

Third, if this kind of effort is to be most successful, the basic attitude of top management must reflect not just a willingness to endorse the program, but a willingness to assume the responsibility for seeing that really worthwhile results are attained.

Motivating down-the-line managers

In addition to developing this kind of understanding and attitude among its own members, top management faces the even more challenging task of making operating supervisors *want* to cut their costs instead of building them up. Here are five steps that will help achieve this goal:

1. Provide the stimulating effect of a concrete goal by specifying in advance the size of the saving to be achieved. This often helps more than any other step to divert peoples' attention from

whether they will have to make changes and savings, and concentrates their attention on *how* they can best achieve the specified goals.

2. Clearly fix on line management the responsibility for results achieved. That is, make it clear to operating managers and supervisors that the program being undertaken is not something that is being done to them or for them, but something for which they have primary responsibility. The cost-reduction task force is simply performing a spearheading, fact-finding, and coordinating role.

3. Help down-the-line managers to overcome their normally defensive attitude and to develop a bold, challenging point of view in place of the typically cautious one. Growth of this viewpoint is greatly stimulated when top-level executives get across the idea that they are not interested in a defense of present practice or necessarily in its continuation. Instead, for the period immediately ahead, they are going to focus their attention on how quickly and how well each of their subordinates contributes to the over-all savings goal that has been established.

4. Give the supervisory force some assurance with respect to the security of workers under them. They will approach any such program with much more enthusiasm if they have been assured that no one will be hurt by it, and that anyone whose work is eliminated will be transferred to another job made available by normal turnover or company growth. (As an alternative, one company set up in its personnel department a temporary out-placement section which played a major role in helping employees whose jobs had been eliminated to find work elsewhere.)

5. Finally, give real rewards and recognition to those whose performance in achieving the defined goals is outstanding. This is the only step that will insure *continuing* vitality in the cost-control program. For regardless of the resolution and assurances with which such programs are launched, down-the-line personnel will judge whether management means what it says by the way in which it recognizes and rewards good performance.

These five steps are simple in concept but difficult to apply consistently and well. Yet their application is worth every reasonable effort, for they represent one of the ways in which top man-

agement can recreate among middle and front-line managers the driving sense of profit consciousness that functional specialization tends to destroy.

WHAT THE COST-REDUCTION TASK FORCE MUST DO

Creation of a vigorous, action-taking climate is half the battle. The other half depends on how resourceful and imaginative an approach is taken by the personnel that actually carry out the cost-reduction studies. Any fundamental approach to overhead cost reduction consists of these four steps:

1. Re-evaluate the work to be done. Here the purpose, of course, is to eliminate all unnecessary or unprofitable work and all work of marginal value.

2. Analyze those indirect factors that affect the complexity or volume of work. These factors include company policies, organization structure, requirements or practices of other departments, etc.

3. Determine how the essential work should be done. This is a matter of selecting the best manual or mechanical means of performing the work.

4. Determine, by work-measurement techniques, how many people are needed to do this essential work.

Of these four steps, the first and the last normally are by far the most productive of savings and, therefore, should receive the greatest amount of attention.

To get the maximum payout from the first of the four steps listed above, challenge whole functions or major activities before questioning individual operations. First consider whether the entire function or activity can not safely be eliminated. If not, determine next if the volume of work can be reduced—that is, the number of transactions or the frequency of performance.

Do not stop at discovering *why* something is done. Evaluate that reason to see if it is sound. For example, in questioning a body of management reports, determine what specific decisions can be made or what action can be taken on the basis of each piece of information reported. Then make a realistic estimate of the pay-out of such decisions or action.

Take calculated risks. If the need for an activity or its profit-making value are uncertain, eliminate it—at least on a trial basis—

and see what really happens. Or, as an alternative, run controlled tests on less costly alternatives.

THINK IN BIG TERMS

To achieve the savings goal in the shortest possible time, focus continuously on the "big pieces"—the major savings opportunities. To do this, begin by preparing an inventory of personnel grouped by organization unit. The purpose here should be to isolate for study those units or subunits in which significant numbers of people are engaged in routine, repetitive activity. Within each such unit, further localize the major opportunities by having the front-line supervisor prepare a task list for each job (not each person, but each different position). This should show the five or six major duties performed by the incumbent and the approximate amount of time spent on each. This information will permit the analyst to concentrate on the relatively few tasks that represent the bulk of the work in any unit studied.

If the activity under review is represented by a number of similar installations throughout the country—as, for example, warehouses or the office activities of district sales offices—pick two units and work toward making models out of them. The units selected should be those that have a reputation for being the most progressive and that are likely to cooperate most actively in meeting the predetermined savings objective. Selection of two units instead of one will, of course, stimulate competition to reach the predetermined savings goal first.

Finally, throughout the entire program, keep the attention of the task force focused on positions or jobs, not just on work elements or end "products." That is, the whole way of thinking or frame of mind should *not* be "How can I improve this operation?" "What steps can I simplify?" or "How many reports can I eliminate?" Rather it should be *"What do I have to do to cut the manpower requirements of this unit in half?"* That is, if the manpower of a given unit had to be cut in half, what would be the safest or least painful way of doing that job? By continuously applying this kind of mental forcing technique, the analyst is much more likely to come up with major improvements and to keep from getting lost in the details of the activity being studied.

Do Women Make Good Executives?

WOMEN WHO WANT TO BE TOP EXECUTIVES will continue to have hard going, judging from a recent *Management Methods* poll of executives—all male. Nearly half of the respondents (46 per cent) maintained that a woman is at a definite disadvantage when it comes to performing a management job. About half of these advanced three main reasons: (1) executives feel restrained in dealing with women colleagues; (2) employees resent working for a woman; and (3) women's family and personal interests usually interfere with business. Thirteen per cent suggested that women are at a disadvantage because they are unable to think like men, and an intimidated minority of 2 per cent said that women executives become overly aggressive in their fight to get ahead.

However, 39 per cent of the executives polled felt that women had both advantages and disadvantages as managers. Of these, 66 per cent looked upon the fact that women think differently from men as an asset rather than a liability, because they could contribute a fresh point of view. Other advantages cited were: Customers and employees are impressed by a women executive (25 per cent); sex appeal and appearance are business assets (33 per cent); and women executives are usually motivated to work harder or better than men executives (25 per cent).

"Now, don't worry about a thing, dear. I'll phone your boss and give him a piece of my mind."

—Chon Day in *Cosmopolitan*

Automation and the Manufacturing Executive

(*Continued from page 23*)

part of the operating force. It provides an internal management consultant service to all the departments in the company, as well as to top management. Although this function is quite new, it is growing rapidly, and it can be expected to become more important and widespread with the growth of automation.

INTEGRATED MANAGEMENT

No one man or one function is able to properly "manage" an automated system without the close cooperation of many interdependent people and forces. Consequently, the manufacturing executive must view the total picture as well as the individual components in developing plans, and he must manage activities so that each interrelated function will harmoniously fit together to produce a unified and accurately directed force. He must control this force and keep it aimed at the planned objectives, improving the total operations by means of the feedback of knowledge that the system itself generates.

The goal of the integrated management approach is to achieve the proper motivation, unification, and coordination of individual efforts and to synchronize the activity of machines, materials, and manpower to accomplish the company plans and objectives. Although much is being done to develop the integrated management point of view, it is still in the early stages of development. President Charles B. Thornton of Litton Industries recently described his company's approach: "We attempt to organize around what we call our 'key people' . . . The proximity of the key personnel of different specialties in an integrated division permits them to interchange new ideas. . . . Working closely together on the same products, with common objectives, also minimizes the normal problems which arise between research and engineering, engineering and production, and production and sales. . . . We try to make the formal organization of our company flexible in order to maximize the organization of effort."

Since the manufacturing executive is an important link in the integrated automation process, he becomes the key force in keeping

the system flexible enough to meet industrial demands and in overcoming the problems of complex and intricate operations.

JOB ENLARGEMENT AND SPECIALIZATION

To answer the problems resulting from the increased precision requirements of an automated system, a certain degree of staff or line specialization is needed by the manufacturing executive. At the same time, however, in order to integrate the efforts of all toward a common objective, he must also be a generalist.

Naturally, a high degree of specialization is necessary for the operation of the complex processes of automation. But the specialist's outlook is usually restricted to the limits of his own specialty. To minimize the effects of this limitation, the manufacturing executive must broaden the scope of his responsibilities and knowledge. As Al N. Seares, Vice President, Remington Rand Division of Sperry Rand Corp., pointed out in a recent article in *Advanced Management,* managers "must become more and more the coordinators of specialists, mathematicians, statisticians, market research men, quality control men, engineers, cost accountants, and all the rest. We must provide clear communications channels and free flows of relevant data, and we must, above all, acquaint ourselves with the limitations of our specialists as well as their general skills."

CHANGING MANAGEMENT FUNCTIONS

Although the increased complexity and greater risks inherent in automation will, in general, increase the necessity for more precise management practices and greater integration of company activities, its impact may vary from one company function to another. Here are some of the specific effects that will be significant in individual areas of company activity.

Materials Management

The materials management job is a new approach for integrating the management activities necessary to insure the proper flow of materials from the vendor, to the plant warehouse, to the production process, to the finished stock warehouse, and finally to the customer. This is done by the integration of the purchasing, pro-

duction planning and control, and traffic departments into one unit.

Automation has been a motivating force in developing this integration of departments, because a continuous flow of materials is necessary to prevent excessive losses from lost production time. Moreover, since in-process inventory banks are minimized in the automation system, a high degree of precision and integrated effort is necessary to maintain the sensitive balance of materials, machines, and manpower.

Operations

Automation has also had an integrating effect on the job of the manager of operations; in this case, however, the emphasis is on the need for three departments that are already part of the same working unit to integrate their efforts to an even greater degree.

The production, quality control, and maintenance managers are greatly interdependent in an automated system. No one function can be effective without equal performance from the other two.

An automated system increases the importance of the maintenance manager's job, because the ratio of maintenance employees to production workers is substantially higher than in a less mechanized operation. Moreover, maintenance planning, scheduling, and controlling is of great importance because of the high losses that equipment breakdown cause in automated systems. The maintenance manager is becoming, in a sense, the key man that the production manager is in a nonautomated plant.

Similarly, the quality control manager takes on greater responsibility in an automated plant, since the relatively high rate of production in an automated line causes a great number of defective products to be produced in a short period of time when the process is out of control. Moreover, the higher levels of process and product reliability usually required in automation make tighter specifications and tolerances necessary. Thus the quality control manager must perform his function under the stress of high speeds and losses on one hand, and tighter reliability and tolerance specifications on the other. These factors make it necessary for the quality control manager to work in close conjunction with the materials manager, the production manager, and the maintenance manager.

The production manager, who has the important role of directing production operations, must depend more and more on staff assistance as complexity and high speed become commonplace in operations. He has a very difficult job of coordinating closely with all the other departments in the company, since at this point of operation all the planning for production should become integrated into a unified course of action.

Finance and Accounting

The finance and accounting function now has a completely new area, "data processing," as part of its responsibility. With the development of the high-speed computer, not only are office operations being automated, but the office division is integrating the data-processing activities of the entire organization. Effectively utilized, integrated data processing is one of the most valuable tools in the application of an integrated management approach to automation, and attaining the high level of integration and precision that is possible through the use of electronic computers is the responsibility of the finance and accounting function.

Engineering

Engineering, which has played a prime role in designing and developing automation systems, has grown increasingly important in their operation and maintenance as well. The task of integrating engineering technical efforts with the activities of the other departments is a vital function of the department in an automated plant.

Marketing and Sales, Personnel, R&D

These activities have also felt the impact of automation. The sales forecast, for example, plays an important role in planning the level of production of the automated system; consequently, it is an integral and key part of the production plan. Similarly, marketing research is important because of the long-range planning that is necessary in order to keep the comparatively inflexible automation system operating profitably. The personnel department must integrate the needed manpower into the system and handle the significant personnel changes that take place when operations are being automated. The research and development department

has the problem of helping to design greater reliability into the product and process in order to obtain the precision needed for automation.

AVOIDING "EXECUTIVE OBSOLESCENCE"

As manufacturing executives fully comprehend their role in the man-machine-materials system, they are working to prevent their "obsolescence" by meeting the new responsibilities that will come with automation. Writing in *Industry Power* last year, Ralph J. Cordiner outlined the danger and the challenge: "It seems clear that past patterns of successful management are not adequate for today, and that even today's best will fall short of the ever-increasing demands of the years to come. Regardless of the size or variety of the enterprise that today's executive is called upon to manage, he finds it increasingly difficult to keep in view the total assignment, the ever-widening range of managerial responsibilities. . . . Yet I wonder whether in all this turmoil of innovation and change, we managers sometimes have the foolish idea that we personally stand apart, unchanging, exempt from obsolescence. Let us have the humility and the frankness to admit that managerial attitudes and skills, like any others, are subject to rapid obsolescence in this age of change. . . . The manager who does not keep up with the times—or rather keep up with the future—is going to find himself as obsolete as yesterday's newspaper, and almost as quickly."

Health Insurance Coverage—More Than Ever

AMERICANS COVERED BY SOME FORM of health insurance during 1957 numbered 123 million persons, the highest point in history, the Health Insurance Institute reports. Protection against the cost of hospital and doctor bills rose at a faster rate than the growth in population itself, including some 75 per cent of the U.S. population by the end of 1957.

Insurance company growth during the year was particularly rapid, according to the Institute. Within the past six years, the number of persons covered by hospital expense plans offered by insurance companies has risen 79 per cent; by surgical plans, 91 per cent; by regular medical plans, 281 per cent; and by major medical expense plans, 1188 per cent.

SURVEY OF BOOKS FOR EXECUTIVES

HOW TO SOLVE MANAGEMENT PROBLEMS. By Charles A. Cerami. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1957. 238 pages. $4.95.

*Reviewed by H. Y. Bassett**

Calling on his wide experience in business and his management knowledge, the author makes a clear, concise, and interesting presentation of a technique for problem-solving that every manager would be well advised to study.

Problem-solving is the job of every executive. Though business problems may vary in their complexity—and each one undoubtedly presents its own individual aspects—Mr. Cerami believes that they can all be reduced to a few basic types. Accordingly, he provides a checklist of seven points for singling out the key factors in any problem and clarifying the picture generally.

Mr. Cerami points out the necessity for establishing the facts, bringing them into focus, and then eliminating from further consideration all irrelevant material. He places considerable emphasis on means of reaching the right solution from the assembled data, and clearly outlines the procedures to be followed in making the decision stick after a solution has been found.

In simple, understandable language, Mr. Cerami offers a step-by-step formula for attacking and solving everyday business problems. Following this formula are some special tips for difficult situations, such as thinking under pressure, the intelligent use of forcefulness in attacking obstacles, how to guess wisely, and when you should gamble. A number of tested techniques for the solution of specific problems are also described, and the most common pitfalls encountered in problem-solving are discussed in detail. Particularly thought-provoking is the section on the best utilization of the executive's time and efforts. Some short cuts for solving ten major problems that confront all businesses are given in the concluding section of the book.

Each major division of *How to Solve Management Problems* contains a section entitled "What would you do?" that sets forth business problems parallel those encountered in the usual course of business. The reader has an opportunity to develop solutions by the techniques that Mr.

* President, Calumet & Hecla, Inc.

Cerami proposes and to compare his results with the solutions suggested at the end of the book.

This well written and illustrated book has a great deal to offer to both present and potential managers. The techniques the author advocates are logical and sensible; with practice, bridging the gap between an understanding of the formula and its practical application should not be difficult.

Briefer Book Notes

(Please order books directly from publishers)

MARKETING

HOW TO WIN CUSTOMERS: *The 15 Areas of Creative Selling*. By Heinz Goldman. Printers' Ink Books, New London, Conn., 1957. 306 pages. $4.95. This handbook on sales techniques deals with 15 aspects of selling, such as customer needs, feelings, and habits, low-pressure selling, quality and price, the selling process, and tactical sales steps. Each chapter contains questions and case problems for study.

TWENTY-NINTH BOSTON CONFERENCE ON DISTRIBUTION, 1957. Retail Board of Trade, Boston, Mass., 1957. 89 pages. $4.50. These proceedings include papers on distribution for the small business, product design research, packaging, the role of the advertising agency, legal barriers to effective distribution, foreign trade promotion, international organizations as an aid to world trade, and the influence of jet transportation on international trade.

CONFERENCE ON SALES MANAGEMENT. Contributed Papers, 1957. Michigan Business Papers, No. 34. Edited by Stewart H. Rewoldt. Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich. 1957. 100 pages. $4.00. Among the topics discussed in these proceedings are papers and comments on product service, communication, developing and training salesmen, handling problem situations in the management of salesmen, and market research for the Edsel car.

THE CREATIVE PROCESS. Advertising Conference: Contributed Papers, 1957. Michigan Advertising Papers No. 1. Edited by James D. Scott. Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich., 1957. 98 pages. $4.00. A collection of papers on creativity by a neurophysiologist, a psychologist, an artist, a writer, and three agency executives. A brainstorming demonstration session is included.

MOTIVATION IN ADVERTISING: *Motives That Make People Buy*. By Pierre Martineau. McGraw-Hill Book Co., Inc., New York, 1957. 210 pages. $5.50. This volume discusses motivation research and various marketing concepts borrowed from sociology, including the product image, the life style, and social class. Motivation research studies on such various products as coffee, cigarettes, cars, soap, and gasoline are reported in detail.

AMA CONFERENCE CALENDAR

MARCH - MAY, 1958

DATE	CONFERENCE	LOCATION
March 3-5	SPECIAL FINANCE CONFERENCE on Electronics	Statler Hotel, New York
March 5-7	SPECIAL CONFERENCE on Employee Benefits	Drake Hotel, Chicago
March 19-21	SPECIAL RESEARCH AND DEVELOPMENT CONFERENCE on Small Business Management	LaSalle Hotel, Chicago
April 23-25	SPECIAL CONFERENCE ON PLANT LOCATION	Roosevelt Hotel, New York
May 5-7	INSURANCE CONFERENCE	Statler Hotel, New York
May 5-7	SPECIAL RESEARCH AND DEVELOPMENT CONFERENCE on Managing Technical Programs	Huntington-Sheraton Hotel, Pasadena
May 14-16	SPECIAL GENERAL MANAGEMENT CONFERENCE on Small Business	Biltmore Hotel, New York
May 15-16	SPECIAL MARKETING CONFERENCE on Sales Forecasting	Drake Hotel, Chicago
May 26-28 May 26-30	PACKAGING CONFERENCE and PACKAGING EXPOSITION	Statler Hotel and New York Coliseum, New York
May 19-21	SPECIAL PERSONNEL CONFERENCE on Labor Relations	LaSalle Hotel, Chicago

To register or to obtain additional information on any of the conferences listed above, please contact Department M3, American Management Association, 1515 Broadway, New York 36, N.Y.

Special AMA Manufacturing Conference . . .

COST REDUCTION through EFFECTIVE PURCHASING and MATERIALS MANAGEMENT

March 31-April 2 • Palmer House • Chicago

THE OVER-ALL OBJECTIVE of effective purchasing is to cut the costs of operations while providing the materials necessary for production. And this means getting not only satisfactory quality and price, but satisfactory service as well. It means timing purchases to take advantage of supply and demand . . . to maintain inventories at optimum levels . . . to keep production rolling smoothly.

It's a job that calls for purchasing management—for a purchasing department organized, administered, and coordinated as a part of over-all management.

This new Special Conference, being held for the first time this spring, is designed to help you orient purchasing in your company along effective managerial lines. Outstanding executives in the purchasing and materials handling field will deliver authoritative, up-to-the-minute reports on such topics as . . .

- **What top management expects of purchasing and materials managers**
- **How to set up sound purchasing and materials management programs**
- **What criteria to use in selecting vendors**
- **How to build an effective purchasing staff**

In addition, twice during the Conference registrants will form small groups for guided discussion of subjects related to on-the-job purchasing and materials management problems. Registrants who have particular problems will be encouraged to get them out on the table for helpful discussion by other members of the group.

You won't want to miss this new AMA first—a close, comprehensive look at managerial responsibilities in purchasing today. Write Dept. M3, Manufacturing Division.

AMERICAN MANAGEMENT ASSOCIATION, INC.

1515 Broadway • Times Square • New York 36, N. Y.

MARKS OF LEADERSHIP

VISION

Seeing only one facet of a problem is not seeing it fully or truly. The best executives are those who possess a many-sided viewpoint.

One reason business men attend A M A seminars is to attain such breadth of vision. Here, through the eyes of business counterparts, they see their problems in fresh perspective.

The object of all A M A activities—meetings, publications, services—is to supply multiple frames of management reference. By sharing many different kinds of business insight, executives find solutions to problems *together*.

AMA

EDUCATION IN DEPTH
FOR MANAGEMENT, OF MANAGEMENT, BY MANAGEMENT